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# ECONOMICS

*for Upper Grades*

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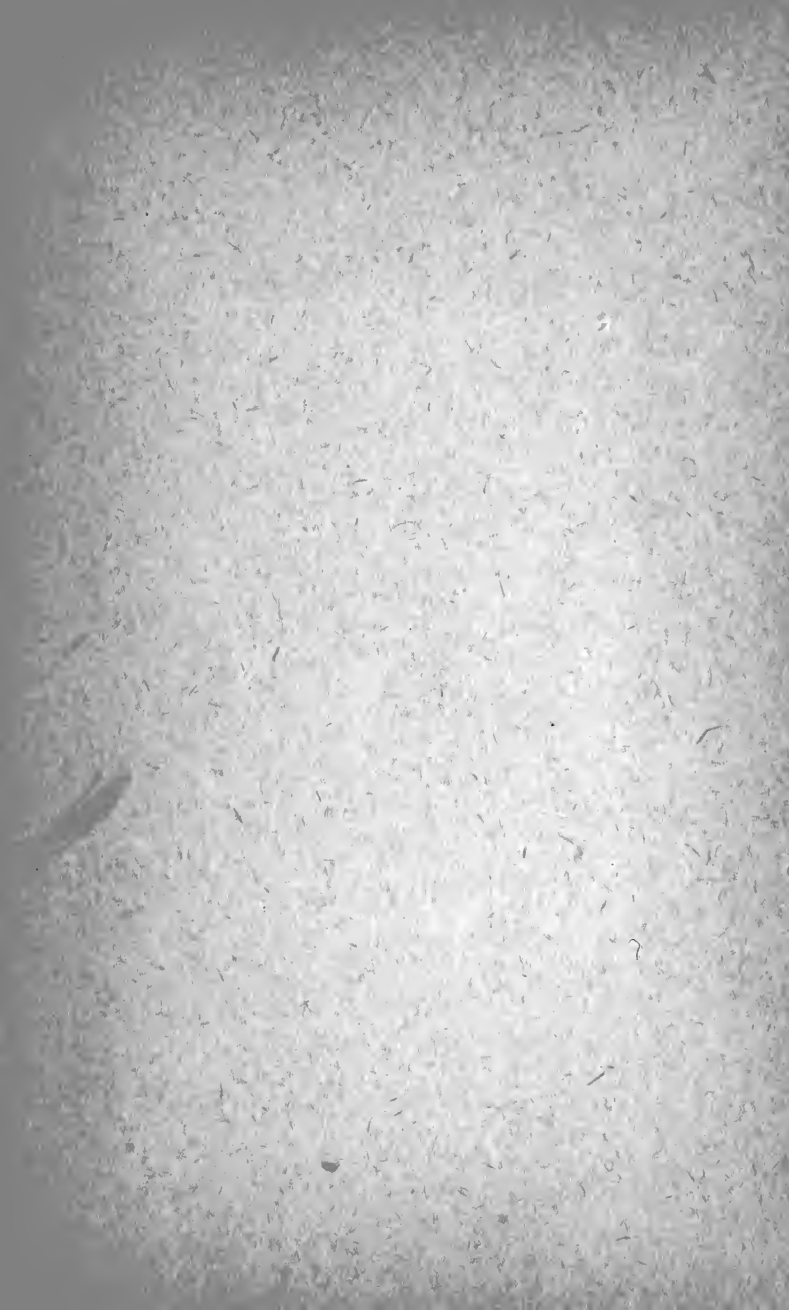


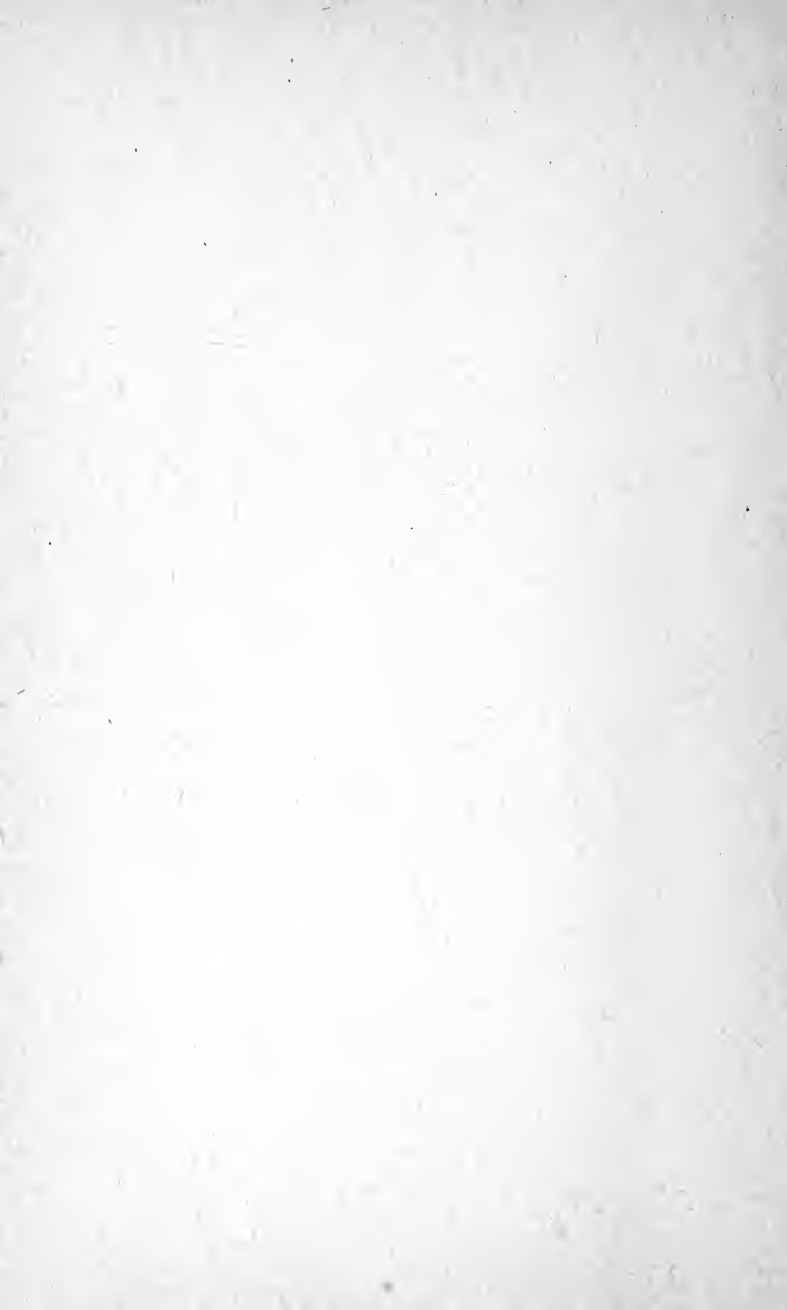
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# ECONOMICS FOR UPPER GRADES

BY

CHARLES F. DOLE

WITH INTRODUCTION BY

ALBERT SHIELS

RECENTLY SUPERINTENDENT OF SCHOOLS  
LOS ANGELES, CALIFORNIA

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## INTRODUCTION

THE war has stirred mightily the hearts of men. Exaltation, sacrifice, and service have suffered their inevitable reaction. The development of industry has brought new alignments, and though these would have confronted us in any case, yet now, in the reaction from a great emotion, the world that meets them is a troubled, a hesitant, a disappointed world. Old conceptions, some of them as old as the nation, which were once accepted as we accept the sunrise or the rule of three, are called upon to prove their own validity. Democracy is no longer a question of a constitution or a code of laws; it is enmeshed in problems of wages and costs and distribution. We cannot understand our politics unless we study our economics. Perhaps it is as well that Americans are being compelled to analyze the truth of principles they so long have taken for granted, if for no other reason than that they have accepted them too casually, and too indolently. The political heritage of a people will not endure neglect. Such things as representative government, the rule of the majority, the liberty of opinion, obedience to law, were gained by painful effort, and only painful effort will retain them.

These ideas and others akin to them are the sacred things of the Republic. In the Egypt of the ancients, it was the duty of a priesthood to preserve the traditions of the people. Education and those engaged in education are the priesthood of the modern time.

They it is who must keep the torch alight and through the children pass it to succeeding generations. And because

at this time not only the defects of our democracy, but its principles as well, are being subjected to criticism, and to assault, because any intelligent discussion of these questions must hinge on economic as well as on political principles, the schools are charged, as no other institution is, with the mission of imparting sound knowledge and right guidance.

Governments, like other human institutions, are modified from time to time, as are the conditions that influence them. New policies are adopted, new duties undertaken. But, as in every evolution, principles continue, and only their applications change. If these principles of our people are misunderstood, or if some of them are attacked through ignorance or passion or lust of gain, then imperatively must they be recognized and reëstablished, not for themselves, — for they are imperishable — but for the safety of society. As in other ages, so now education must reflect the needs of the period.

In popular conception, economics is a dry, even a depressing science. Sometimes, alas, writers develop an infinite capacity to make interesting things forbidding. For there are very useful and very fundamental truths of economics, as of politics, that as they touch the life of every citizen in a very realistic fashion, are, for that reason, of peculiar interest to him. Such truths lend themselves to a wealth of illustration familiar even to the very young. A boy or girl need not wait for the high school to know the difference between money and wealth, the absurdity of trying to create by legislation things that can be produced only by good hard work, the difference between liberty and license, the need of the expert worker in the expert's job, the inherent fairness of keeping faith on a contract freely made, — which is only a demand of decency that a man keep his promise, — the reasons both ethical and prudential why a citizen should consider the public welfare, the need of tolerance, the folly of

hysterical suspicion and wild accusation against any one not of his race or nation. These are not things that need really be learned, for their truth and justice even the wayfarer knows, — rather they are to be related to the life of the people in this nation and at this time. Especially must our pupils feel deeply, as well as understand, the wickedness of any type of rule which would compel the tyranny of a minority, whether of birth or of wealth, or of a proletariat, or of any group whatever.

A teacher who will use this text not as an added "subject" but rather as a comment and a method of adjustment of present conditions made vivid by direct local references, who will apply some of it to the life in the classroom and the school, will find a ready means of enriching the composition, the arithmetical problem, the reading period, the discussion of current events.

An appreciation of history, and in some degree of geography, can be facilitated by the use of this text material; for training in ethics and civics, the value of political and economic reference is obvious.

Economics as a science has infinite applications, some of them exceedingly complex, and not a few of the subject disagreements among economists themselves. But it is only with simpler relations that our children need be concerned. As they learn the fundamental principles and become accustomed to apply them not only to school problems, but to those that are now demanding the attention of all of us, they will begin to interpret the republic not as document or a declaration, but as a place where men and women may live safely and happily only as they are willing to work together and to give some of their own thought and effort to welfare. For a society like ours cannot indefinitely continue to survive in an atmosphere of suspicion, of doubt, of class antagonism, and of individual aggrandizement.

It is possible to conceive that the schools of an autocracy might be indifferent to matters political, social, or economic. This cannot hold true of a democracy. For the life of a democracy depends upon intelligent teamwork. A man's first business cannot be to feather his own nest, or to take care of his own health, or to provide for the enjoyment of his own leisure. These are all proper purposes in the educational scheme, and all useful for the making of better citizens. But they do not in themselves insure good citizenship. The first business of the public school is to give to pupils that knowledge and understanding, and to inspire them with those motives which will make good citizens. A pupil cannot be a good citizen unless he believes that he must seek his own welfare only through the welfare of the group of which he is a part, and unless he acts upon his belief. It is not wholly a matter of good will: it requires understanding. To repeat, the important business of the school is to make the good citizen. This first, and all other things may come after.

ALBERT SHIELS.

*May, 1920.*

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# ECONOMICS FOR UPPER GRADES

## CHAPTER I

### WHAT WEALTH IS

“WEALTH” has two meanings. The larger meaning comprises everything which makes men “well off.” Thus, a man’s health, his home, his children, the salubrious climate, the air and the rain, the beautiful scenery of his country, are a part of his wealth. In this broad sense the man who enjoys life most amply, whether he has much or little property, is the most wealthy. In this sense, indeed, his best wealth may not have any money or market value.

In the narrower sense, wealth is everything which has a market value, that is, which can be bought and sold. Houses, ships, lands, wheat, cattle, furniture, books and pictures, gold, silver, iron — such things constitute visible wealth, which we can see and touch. If they were added together wherever they could be found, they would make the wealth of the Nation.

**Natural wealth.** — There is much that is often called wealth which has no present market value. The fish on our shores, the wild lands, the timber in Alaska, the ores in the mines — these things of unknown value may sometime be wealth, but they are not wealth until they can be bought and sold.

In the strict sense of the word, man always creates wealth — sometimes by his labor, as when he produces wheat or builds a house; sometimes by bringing a thing, like wild fruit, to market and offering it for sale; and again merely by claiming it as his own, as when a man fences off a piece of land in the wilderness, or discovers a mine.

**The public wealth.** — That is not always wealth which costs money. Thus, a city may spend millions of dollars in building sewers or constructing streets. But the sewers and streets are not strictly wealth, since after they are constructed no one would pay anything for them. There may be public works also, like jails and almshouses, in which wealth is sunk. The need of such things is a public misfortune, and indicates the presence of poverty and crime. A nation that had quite outgrown the necessity for jails and almshouses would be far richer than a nation that had many costly buildings of this sort. A well man, who has no need of medicines, is better off than a lame or sick man who has to keep a supply of crutches and drugs.

Wealth is likewise sunk in fortifications and warships. The nation would be richer if it had no need of them, as a man is better off if he needs no pistols to defend himself.

**Wealth in men.** — There is wealth in horses or mules, because they can work, and can therefore be bought and sold, or hired. There was also wealth in men, for the same reason, under the system of slavery. A large part of the property of a slave State was in men. This kind of wealth did not disappear when the slaves were made free; free men own themselves instead of being owned



by masters. They can hire or sell their labor, their skill, or their knowledge. A man without owning any visible wealth may possess qualities in himself, such as experience and integrity, which will bring thousands of dollars a year. A State which has a plenty of such men will have all the visible wealth that it needs. Although wealth in men, that is, their labor and skill, can be bought and sold, so that a man with no money and a good trade is richer than an ignorant man with a thousand dollars, yet this kind of wealth is not generally counted. It is not shown in the census reports; in fact, it is not easy to measure it in money. Who can tell how much a bright boy or girl is worth?

**Wealth in paper.** — A man may have large wealth and never see it. Some of it may have been lent to farmers or to help build warehouses in a distant city. Some of it may have helped a company of men to build a mill, or a line of steamers, or a railroad, in a new State. Some of it may have been put into a bank, and then lent with other money all over the country. Some of it may have been lent to the government. Can you tell where it now is? While the rich man may not see anything that he owns, he has papers which show the amount of his wealth. Some of these papers are notes, signed by men who promise to pay so many dollars; or mortgages on the farmer's house and land; or railroad bonds, which are notes of the railroad company; or certificates of so many shares in the mill or the bank; or bonds of the government, which are really a sort of mortgage upon all the property of the people; or paper bills, which promise so many dollars in gold or silver.

This paper wealth, these bonds and notes and certifi-

cates, may be bought and sold in the market, but they have no value in themselves; the country would not be poorer if they were burned. Yet they are often counted as so much wealth. Thus, the State of New York is said to have so many billions of dollars in visible wealth, and so many billions more in paper wealth. In this way the same wealth is often counted twice. The railroad is counted once for its visible value in land, rails, stations, and cars; and then it is counted again for the paper bonds and shares, which merely show who its owners are.

So with the mortgage on the farmer's land. It shows that for the present some one else owns part of the farm. Perhaps a savings bank has the mortgage, in which case the depositors in the bank have a share in the farm. We have seen that the government often attempts to tax the same property, first as visible and again as paper wealth.

The wealth in paper may sometimes mean an addition to the real wealth of a State. Thus the people of Great Britain own a vast amount of wealth all over the world in lands and mines, etc. The bonds and paper certificates show that the people in other countries are so much in debt to the people in Great Britain. So, also, the people of Philadelphia may hold paper bonds and shares in stores and mills in cities in the West, and the people of other cities may own land and buildings in Philadelphia in the same way.

**False wealth.** — There may be wealth, or things which can be bought and sold in the market, which harm the persons who use them. Thus, if ardent spirits hurt and degrade a community, the distilleries and saloons used

by the liquor business lessen the wealth of the people. Although, therefore, the national census of wealth may add hundreds of millions for the distilleries and saloons, a true estimate would subtract this value, since that cannot really be wealth which does not in some way make men better off. It is like a vicious animal which destroys every year more than his value.

**How wealth varies.**—That which is wealth in one place may not be wealth in another. An acre of land in New York City may be worth millions of dollars, but an acre of land in Greenland is worthless. What is a picture worth in Patagonia? Wealth depends on a market, or on the desire of men to buy and sell. Even the same market may change from one year to another. Thus London and New York are the markets of the world, where all sorts of things are continually bought and sold. But, in case of a great disaster, men's desire to buy and sell may suddenly be checked. In that case the value of many kinds of wealth falls, though the things themselves remain.

Robinson Crusoe's lands and goats, though precious to him, were not strictly wealth till other men appeared to purchase them, that is, to make a market. Even gold is not wealth on a lonely island, for one man alone has no use for it.

Wealth is constantly being destroyed, or used up, or worn out. Some kinds, like food, are good only for immediate consumption. Clothing lasts a little longer, but soon has to be renewed. Houses and buildings at last go to decay. The gold and iron wear out. Perhaps one eighth of all the wealth in a country is used up in a single year. Among a poor or barbarous people

the proportion is larger. The land is the one thing which remains the same; but its fertility may be exhausted, while the demand for it is constantly changing.

**The increase of wealth.** — Although wealth is constantly being destroyed or worn out, it is also being recreated. The harvests of each year renew it; the labor and skill of millions of persons change the raw products into new and higher values, as in the case of a steel watch-spring, worth many times the cost of the crude iron ore. Even the land may increase in value by being tilled, or the growth of a city may give each square foot of land a greater value than an acre possessed before the city was built. Possibly half of the wealth of people who live in cities consists merely in the land upon which stores and houses are crowded together. The greater the city, the more the value of this land.

The wealth of a people is thus like the body of a man. It is in a state of constant change or flux. It is always being renewed or made over. How much can you find that has lasted over fifty years? Thus, again, we find that the skill, the learning, the energy, the character, the ideals, and the purpose of a people — in other words, what education gives — constitute their real wealth.

## CHAPTER II

### THE CONDITIONS OF WEALTH

IF a household of children were rude and destructive, or had not learned how to use toys or articles of furniture, it would be impossible to keep anything of value; they would have no wealth. So with a savage people. As long as men were barbarous, the duties of business and property were extremely simple. The land belonged to the whole family or tribe. There was little furniture in the rude tents or huts where the people lived together in alternate plenty and want. There was little or no barter or exchange of goods, and no shops or merchants, and for a long time there was no coined money. The chiefs lived much like the common people, as is still the case among the American Indians. As men came to live in cities, life grew less simple: all sorts of luxuries were demanded; various trades arose; and there became everywhere a wealthy class, living differently from their neighbors. The growth of cities brought travel, and therefore more trade, as the people of one place learned to desire the things which another place produced. There came to be great trading cities, like Tyre and Carthage, which sent their ships beyond the Mediterranean Sea.

**Unfavorable conditions.** — There were serious obstacles, however, in early times in the way of industry and commerce and the amassing of wealth. Some of these obstacles continue.

**War.** — There was almost constant war. A rich city was always liable to be pillaged and burned. The caravans of merchants were likely to be attacked by robbers. Men had to defend themselves, or to obey ambitious kings, and they lived close to the line of famine.

**Piracy.** — The seas were infested with pirates, who saw no harm in seizing merchant ships, and selling their crews for slaves. Ships driven on shore by storm were mercilessly plundered.

**Slavery.** — Slavery also obstructed industry and business. The slaves did less work than free men could do, and the latter were less willing to work. There came to be a class of idle and unemployed people.

**Caste.** — In some countries also, as in India to-day, there were castes, that is, classes of people, the members of which could not change their occupation. The son of a tanner had to be a tanner. Thus bright men in the lower castes were kept from rising. Ambition and invention were checked, and warriors were thought to be better than workers.

**Privileges and monopolies.** — Suppose a single family owned the only spring of water in a town and charged the others for the use of the water. This would be a *monopoly*. The old world was full of monopolies. The man who owns a valuable copper mine has a monopoly. He and the other owners of copper mines possess the *privilege*, since every one must have copper, of taxing all the people. In other words, they have a power and source of wealth which others lack. So the owner of valuable land, whose grandfather secured a title from the King of England, may do nothing himself, but live by the rent of his land. When a country has many

people who possess privileges or monopolies which the rest of the people cannot enjoy on equal terms, there must be more or less hindrance to free industry and therefore to the growth of wealth. A few may be very rich, but the many may have to work for the few. This has long been the condition of England, Prussia, and other countries where land has been largely in the hands of the few. Monopoly of land is already a danger in the United States.

**The physical conditions of wealth; the climate.** —

Certain countries, so far as we know, have never had any wealth. In the arctic regions, where the energies of man are nearly exhausted in the fight with winter, there could never be a rich civilization. Civilization has not flourished in the heart of Africa or under the equator. On the contrary, the richest nations dwell in temperate regions. The climate of a country is one of the conditions that help or hinder the wealth of a people.

**Natural resources.** — Certain countries are poor by nature. The soil may be sterile, fuel may be scarce, the supplies of valuable minerals may be scanty. Other countries enjoy rich lands, ample forests and coal fields, vast water power, good harbors, and inexhaustible mines. The United States is thus magnificently endowed with the materials of wealth. China is another such country which supports a vast population of industrious people.

**The spur of necessity.** — Why is it that the beautiful islands of the Southern Pacific Ocean have little wealth? The people are too comfortable to need to labor. The abundance of fruit contents them; the mild climate requires little clothing and makes unnecessary the build-

ing of permanent houses. We find few of the arts, or books, until men learn to work, and few would learn to work unless there were some necessity.

As soon, however, as the conditions of living become harder — when fruits have to be cultivated; when cold and wet demand clothes for men's bodies; when men require shelter and permanent houses — wealth begins through the spur of necessity. Necessity teaches men to work, and all work requires more work to perfect and secure it. The field once tilled has to be fenced or protected from wild creatures; the house has to be enlarged and improved; appliances are invented to save labor, and the inventions in turn demand new kinds of labor and new appliances, that is, more wealth. The introduction of the telephone into a town requires an increased force of men and women to manage the business, and the increasing numbers require more houses and more telephones. Even the effort to save labor presently calls for new forms of labor and produces more wealth.

The necessity to labor at first seems to be a misfortune. The long, cold winter requires fuel and hay, and more labor to supply these necessities. A considerable portion of all wealth consists in wood, coal, hay, and substantial buildings, which the rigor of the climate demands.

Everything that men esteem precious thus arises from some kind of necessity, either real or imaginary. The need of bread or shoes or tools stirs them to work to overcome the need, and thus to grow rich. Would you not rather live in the United States and have to work for your living, than to live a lazy life in Tahiti?



**Intellectual conditions ; enterprise or energy.** — There are some races, and certain persons in every race, who are more easily contented or more indolent than others. They do not keenly feel the spur of necessity. One condition of wealth, therefore, is energy or enterprise or will. The enterprising farmer will work more hours in a day, take better care of his cattle, provide warmer buildings, fertilize his land, and grow rich by his labor. The joy of life consists largely in doing things, in creation, in working out plans.

**Intelligence.** — An ignorant people have few wants, and therefore little wealth. An ignorant people could not have invented the steam engine, neither would they have felt the need for the articles which the steam engine helps to produce. It is only when the intelligence of a people rises to demand a vast supply of many things, that the new necessity urges inventors to harness the forces of nature to help them in shops, mills, and railroads. The single invention of the steam engine, called forth by intelligence, has increased the wealth of the world in a century more than it had grown in a thousand years. Science constantly brings to view new sources of wealth.

**Taste.** — A certain portion of wealth is for enjoyment or decoration. Pictures, statues, beautiful buildings, instruments of music, the products of the various arts, constitute this kind of wealth. It arises from higher kinds of need, as men want satisfaction for their sense of beauty. As soon as a people have learned how to provide a sufficient quantity of food and clothing, a larger number of their skilled workmen are set free to produce and to cheapen the articles of taste.

A multitude now have pictures, books, and pianos, which once the few rich people could hardly obtain. The more taste people have, the larger is the production of this form of wealth. The call for works of art, taste, comfort, and luxury requires more shops and houses, that is, greater wealth of other kinds. Even the taste for natural scenery adds a new value to rocky hills and wild shores, for which persons without taste would see no use.

**Moral conditions: honesty.** — There are certain moral conditions of wealth. There will be little wealth if thieves and robbers are abroad. For men will not labor and gather abundance, if their riches are immediately snatched away from them. Neither will they have the heart to work, if the government is dishonest and takes their savings ruthlessly, as most governments used to do.

**Good faith or trust.** — Wealth is daily changing hands. A vast portion of business consists in trade. Wool, cotton, and wheat must be brought from distant States and manufactured articles returned. But trade is impossible unless men trust each other. Trade is carried on in the faith that men will do as they promise, that they will pay for what they buy, that they will furnish articles as good as they promise. Even a few men who break their word injure business, cause distrust, and compel higher prices which the honest have to pay. On the other hand, if all men keep their word, more business can be done, at cheaper rates, and every one can have more wealth. We all gain or suffer together.

**A state of peace.** — When the early colonists were at war with the French and Indians, their cornfields and towns were often burned and their ships captured.

They could not make wealth in time of war. But as soon as peace returned, the French and the Indians helped them to get more wealth. The Indians brought them furs, and took cloth and iron in return. Their ships sailed to France, and both the French and the Americans profited by trading together. The Americans sold their furs and salt fish, of which they had more than they needed, and bought from France silk and other articles, such as they could not make so well as the Frenchmen. Trade made more wealth in both countries, but trade depended on the nations being at peace.

**Courage.** — Sometimes vast amounts of wealth are suddenly swept away, as by a fire or a flood. These are the occasions for courage, not only at the time, but afterwards, when men must go to work to repair the damage or to rebuild a new and better city from the ruins, as the men of Chicago did after the great fire of 1871. In various industries, in the management of steam and electricity, on railroads and on ships, there is daily demand for the same kind of daring to take necessary risks and even to brave death, as used to be called for in the hazards of battle.

In general, when men are friendly with each other, when their ships sail freely into all seas and foreign nations welcome each other to their ports; when many travelers go from one country to another and see what others can do better than they, this friendly travel and interchange help to make wealth. Men who see beautiful works of art return home with fresh zest for their own work. Men desire foreign fruits and products, — tea and coffee, pineapples and bananas — and bring

them to our markets. New ships and steamers must be built to carry the trade of the world; new warehouses must be erected to accommodate the growing trade; more fields must be tilled and more mills built to make things with which to pay the people over the sea for what they send us. Wealth not only rests upon good faith and friendliness, but the getting of wealth brings distant peoples together, and teaches them to trust each other rather than to fight. We see thus how the whole world may some day become a coöperative Commonwealth.

## CHAPTER III

### TO WHOM WEALTH BELONGS, AND HOW IT IS DIVIDED

LABOR alone does not make wealth, as some think. Wealth is partly natural, as the land, the fisheries, and the ores in the mines. Intelligence, skill, and taste are also necessary in creating and managing it. Public order is necessary; honest, industrious, and faithful men are necessary. If religion enhances the worth of human life, or furnishes motives for noble conduct, it also shares in creating wealth. Property is worth more in the United States, with its schools, benevolent institutions, and churches, than in Morocco or Siberia.

**The useful.** — If a colony of persons were to settle for the first time in a new country, and take up land and build towns, their wealth would rightfully belong to all who had been in any way useful to the colony. None of it would strictly belong to the idle, to the wasteful, to the injurious, if such were among the colonists. There are in every community various divisions of the useful, who ought to share in the wealth according to the part which they play in making it.

**Discovery or invention.** — In a new colony there are certain persons who go out as pioneers or scouts to discover the natural wealth, the fertile lands, the fruits, the minerals, the springs, and waterfalls. If they do nothing but discover, and tell others where to go, they

deserve their share in the wealth which results from the discovery.

The inventors are like the discoverers. Whoever shows a new use to which iron or copper can be put is as useful as if he discovered a new mine. Whoever invents a process or a machine to save labor, that is, to set workmen free to do something else, to shorten the working-day, or to enhance the enjoyment of men's leisure, may be more useful than a thousand workmen.

**Production.** — The largest part of the working-force of the community must be employed in producing food and all kinds of supplies. There must be farmers, blacksmiths, carpenters and operatives in shops and mills, to make boots and shoes, clothing, tools, etc. Whoever produces something useful for the community ought to have a share in the wealth. Artists and painters belong under this head, if they add to the happiness of the community. The domestic work done by women comes under the same head. The woman who cooks the man's food, or repairs his clothing, is as useful as the farmer who reaps the wheat.

We observe various degrees of usefulness in men, from those who work by thousands with their hands to the highly skilled artisans, of whom there are never enough in a town. So among the workers of each kind we see difference of usefulness and worth, from those who labor awkwardly or without any interest, who waste the material and spoil the tools, up to the intelligent, effective, and enthusiastic men and women, one of whom can do three times as much in a day as his neighbor does.

**The work of distribution.** — It often happened in the old times that there would be plenty of food in one

place, while men were starving a hundred miles away. The farmer had no good roads over which to take his produce to market. In a civilized country, thousands of persons do nothing else but help distribute supplies. The grocers do this on a small scale in every village. The great merchants do it by wholesale in the cities. Their agents travel up and down through the country, buying and selling.

**Transportation.** — Railroads and steamships, together with hosts of teamsters and draymen, distribute the vast products of the Nation. Our railroads carry more than a billion tons of freight in a year. Express companies handle the more precious or perishable goods; the parcel post helps to bring butter and eggs to city homes. The farmer need not now stop working in order to go to market with his wheat. Millions of passengers must also be carried, chiefly to their work and business, but also for pleasure. An army of men are detailed for conductors and brakemen, who also deserve to share in the wealth of the country. Horses and stables, automobiles and garages, must be kept and more men employed to take care of them.

**Protection.** — The duty of protecting against violence and fire cannot be altogether committed to the government. There must be private watchmen in stores and mills. There must be patrols on the railroads to prevent accident. Whoever prevents injury ought to share with those who produce the wealth. The physicians and nurses, who defend us against disease, claim a rightful share.

**Administration and accounts.** — The business of the community needs a certain class of skilled men to manage

and direct. The able management of a first-rate engineer, architect, or superintendent may save the labor of hundreds of men, while poor and shiftless management daily causes enormous loss. The administration of business needs also a force of accountants, stenographers, and bookkeepers in offices, factories, banks, and warehouses. There must be trained heads to superintend accounts and make a multitude of figures tell the truth, or else, through error or fraud, injustice will somewhere be done, or supplies will not be properly distributed.

**Economy; savings.** — Economy is the care of values. There are numberless holes or leaks through which wealth is wasted by ignorance or carelessness. Whoever, therefore, saves wealth, whoever stops the leak, whoever keeps what another would lose, becomes a helper to the Nation. A housekeeper, for instance, may save enough food, which another would throw away, to feed one or two mouths. This is the same as producing the food. The larger one's responsibility is, the greater the opportunity for wise economies, saving perhaps billions in value to the Nation and making every one better off. This is *conservation*.

**Instruction.** — There must be plenty of persons detailed to the service of education. Whoever teaches, or waits on the teacher, or learns the facts of nature or history, or makes books, helps make wealth and deserves a share in it. There must also be libraries and museums with their attendants. So too, whoever teaches the laws of faithful conduct, or the principles of a humane religion, so as to help men become more just, patient, brave, and friendly, is a worker and sharer with the direct producers of wealth.



**Comfort.** — A man who has a comfortable house or lodgings will do more work than if he is badly housed. In a civilized country numerous appliances exist purely for comfort. A large part of woman's work is to promote and increase comfort. In general, whoever can help make men more comfortable at their work, or in their homes, whoever can lessen drudgery and render labor more pleasant, deserves a share in the wealth.

**Recreation.** — Every one needs, not merely rest, but sometimes amusement or play. Men who work hard, like children who study, need vacation; they will do more if they have it. Here is the need of another body of workers, some of them to carry on work while the first set have their rest; others to entertain and amuse. Extra cars and steamboats must be run for holidays and picnics; we must have musicians, singers, and actors; there must be hotels and restaurants. The producers must turn out a larger supply of goods so as to share with those who give them recreation.

**Personal and domestic service.** — There are persons who need help and service. Some of them are sick or aged, and cannot help themselves. Others are tired or overworked and require temporary assistance. In many households extra help is needed for the little children. There are also those whose time is extremely valuable in behalf of the nation. Would you have a great engineer like de Lesseps, a scientist like Darwin, an inventor like Edison, a wonderful painter or singer, the President of the United States, wasting his time and strength in sawing wood or shoveling coal? We are glad to allow certain persons extra service, provided they need it, or by reason of the superior value of their work.

We grudge this kind of help, however, where it is not needed or deserved. We grudge it to a young person who had better wait on himself than be waited on by another. We grudge it to the indolent, who are harmed by it. In the new colony which we have imagined, in which we should need every skillful hand, we cannot see why an idler or his valet should share in the wealth created by the useful people.

**Luxuries.** — There are articles like sweetmeats or jellies of which there are not enough to go around, or at least not for common use. Because they are comparatively scarce they are more costly than the necessities or comforts, of which there may be enough for all. Many luxuries depend upon the cultivation of people's fancy or taste, and are not luxuries at all to those whose taste is not cultivated. A gem or a work of art might not be a luxury to a savage. There are luxuries which seem suitable for a feast, when we entertain friends, which would not be wholesome for ordinary use. There are other luxuries which we set apart for the sick or the aged, the use of which might be enervating for the young and healthy.

We have spoken of the need of extra personal services, in order to save valuable time or life. There are other luxuries, like travel abroad, or big houses, or horses and carriages, or costly dress, which we cheerfully allow to men and women whose lives are specially useful, who require spacious rooms for study and books, who represent the hospitality of a city to distinguished strangers, or whose services may be prolonged by extra care. In other words, there may be lives for which the community does well to make special provision and give

ample salaries, as we give particular care to rare, valuable, or delicate tools. What shall we say, however, of those who are lavish in their use of luxuries, when the necessities of life are scarce and costly? The empire of Rome was on the way to ruin while the rich rioted in luxury and the poor starved.

**The family.** — A considerable part of woman's work must be directly for the family, and particularly in the nurture of children. The health, the morals, and the working power of a people are high or low in proportion to the character, the care, and the wisdom of its mothers. Whoever takes care to make the children stronger or better deserves a share of the wealth. The saving of a single delicate child, like Sir Isaac Newton, may contribute to the State more than money can pay for.

**The division of labor.** — In a poor or uncivilized country the same person carries on various kinds of work. The farmer is his own carpenter and blacksmith; spinning and weaving go on in the same house. As fast as men learn to help one another, they divide their work into trades and professions, so that each shall do what he can do best. Thus each useful worker fits into his proper place and the total product is increased.

It is possible to carry this division of labor too far. We do not live to produce wealth, but we produce wealth in order to live better, that is, more happily. It cannot be good for a man to become a machine and to do nothing all day but polish the heads of pins. If he does this for part of the day, give him also opportunity to work in his garden and to see his fruit and flowers grow.

**The division of wealth.** — We have seen that wealth ought strictly to belong to all who are useful to the

community. How shall we apportion it exactly? Some men are more useful than others. Some are useful for a time and less useful afterwards. Some have greater needs than others. An artist, a student, an architect has needs different from a farmer. We cannot tell precisely how useful one is as compared with another. A distiller of strong drink may not be useful at all. A skillful teacher may be more useful than anyone knows. Good fortune may increase or lessen the usefulness of the farmer or the fisherman. No tribunal of men is wise enough justly to divide the income or the wealth of a people. It would not be fair to divide equally, for all do not work equally hard, or need the same amount. Even at the same table one eats more than another. It would not be just to let each take what he wishes; for many, like young children, are greedy and wasteful. If a city or country contrived to divide its income equally among its citizens, what should in fairness be done with the people who would immediately flock in from poorer or barbarous countries to share in the wealth of the richer place?

**The law of supply and demand.** — The way in which wealth is now roughly apportioned is according to the rule of *supply* and *demand*. If, for example, coal is scarce, and the demand for coal is great, the natural rule is that a man must work more hours, that is, pay more to get his share of the coal. If flour is abundant, less labor will buy it and there will be more time to provide other things. If carpenters are numerous and farmers are few, the carpenters' pay will be small; that is, they can have less flour or coal, or whatever else they need. If, on the other hand, there are few carpenters,

and every one wants their work, they will have large pay.

The law of supply and demand works on the playground as well as in the market. If there are few boys to play on the school team, even poor players are welcome; if there are plenty of boys, the poorer players have to stand aside, or make up a team by themselves.

The law of supply and demand discovers some articles to be more useful or valuable than others, and certain men and women to be more useful than others. It works to bring the less valuable things within reach of every one, but makes the scarcer things, like luxuries, expensive. It gives to the many persons whose work is less in demand, or less useful, whose places could readily be filled, less of the wealth, and more of it to those who are specially necessary to create the wealth. Men have not yet found any other rule than this by which to divide wealth.

The law of supply and demand is a law of *things*, not of men. Like the fire or the steam, it makes no allowance for men's feelings and needs. The law of gravitation does not protect a falling body from hurt; so the law of supply and demand by itself does not save men from starving. It works out only a rude kind of justice. But mere justice, without sympathy, pity, consideration, and friendliness, is harsh and often cruel.

**"Laissez faire."** — These French words mean: "Let things take their course," or "Let the law work itself out." Thus hard-headed men say, "Let the rule of supply and demand alone; do not meddle with it." But we do not let a river take its course; we try to control it. We construct airships and fly in the face of

gravitation. So we cannot bear to let the law of supply and demand work out starvation for our neighbors. We have to learn to use and control it. In fact men interfere with it constantly for selfish ends. They pass tariff laws and inheritance laws which prevent the natural working of the law of supply and demand. Government exists to help and protect its weaker members, not to help the strong to get or keep more than their share. The modern commonwealth therefore proposes to supplement the law of supply and demand by a watchful humanity.

As on the ball ground the better and stronger fellows try to make room for the poorer and younger, and to teach them to play better, so it is part of the business of the abler and stronger men in a State to make room for the less capable and intelligent and to enable all to prosper. We shall speak further of supply and demand in another chapter.

## CHAPTER IV

### THE INSTITUTION OF PROPERTY

WE can imagine a people holding their wealth in common, as a club of schoolboys own their bats and balls together. Among a savage people like the North American Indians, a considerable part of the wealth is common. The tribe holds the cornfields. When game is taken, all the villagers share; a number of families will often live in the same house. As long as anyone has food, his neighbors, or even strangers, will come and eat.

**Difficulties in holding wealth in common.** — There can never be much wealth in a savage tribe. There is little encouragement to enterprising members of the tribe to work hard and lay up stores of provisions, where the lazy and improvident come in freely to devour and waste. Few would build new and better houses, or take the trouble to have a nice garden, or to plant orchards, unless they could hope to enjoy the reward of their work. Men who hold things in common are like children playing with blocks. No child can build up while the others pull down. No considerable work can be carried on where people have no sense of responsibility. Now, the best way to learn responsibility is to trust to each his own task or office or tools or garden.

**The beginnings of property.** — Property is that which is one's own, which no other person has a right to take away. Property begins even among savages, as it begins among children. Thus one's clothes are one's own. It

would be inconvenient for more than one person to claim the same clothes. So of one's implements and weapons, the axe or the bow and arrows, especially such as one makes himself. So of the ornaments and decorations, the shells or gems, or bits of metal that one finds. "These are mine," says the child, and every one recognizes the child's right to them. So of the Arab's horses, which he has reared and tended, or the flocks which he pastures.

**Differences of men in tastes and capacity.** — Property grows out of our differences of taste and capacity. One is fonder than another of shells or bright colors, and takes more trouble to collect them. One cares more than another for horses or cattle, and has better success in raising them. One is fond of ornaments, and carves a beautiful handle for his axe or knife, while another does not think the carving worth while. The ornamented axe is the property of the man who had the taste and skill to make it. One man loves books and pictures, and is willing to work a longer day to obtain them. They ought to be his, rather than another's who does not care for them.

**Property by earning.** — Suppose that a man enjoys working for some one else who will direct his work. A man with a herd of cattle hires him to help take care of them, and pays him in cattle or skins or money. Here is property in what a man earns by his labor or skill. It rightly belongs to the man who has worked for it, and not to others who have not worked. Would it not promote laziness in the men who did not work, if the cattle or the money for which another had worked were shared with them?



**Property by exchange.** — Suppose the man with the herd of cattle exchanges some of his steers, or some gems that he has found, for a supply of wheat. This, too, is his property. It could not rightly belong to others who sat still and did not help pay for the wheat. It would hurt their character to claim what they had not helped to produce.

**Property by gift or inheritance.** — It is surely fair for the man who has wheat or horses to make a gift to his friend or his son. The gift then becomes the property of the friend, and not of anyone else. Much wealth is thus handed down from parents to children, and belongs to the children by inheritance. May it not, however, be possible that our laws give extravagant protection to property of this sort?

**Property by natural genius.** — Suppose a man has genius to invent a useful machine, or to write a valuable book, or he has a beautiful voice, or he plays the violin. What anyone can make or do is his property in the same way as his eyes or his hands are his own. It would not be right for the family or the Nation to claim this man's genius, or compel him to write books, or to sing for them whenever they pleased. The rewards or the pay which he receives in return for his genius are fairly his. Others have no claim to compel him to divide with them. Nor would it be honorable to make such a claim. On the other hand, would it not be shameful in him to withhold the gifts of his genius, or to extort unreasonable pay?

**Property by accident or good fortune.** — If a fisherman has a lucky catch, we say it is his. The unlucky fishermen, or those who do not go fishing, have no claim to

share his good fortune. Let them take their turn at fortune another time. Men enjoy their fishing better, and they are more watchful and daring than they would be if their fish were taken from them and divided among the neighbors.

Suppose, however, the man finds a gold mine. Ought it wholly to belong to him? He merely found what he never created. Is it not enough if we make good to him for his lucky discovery, and then take the mine for the use of the State? Would not a good citizen prefer this disposal of the mine?

What, now, if a man has property, such as wheat, or bank stock, which rises suddenly in value. We call this increase his property, although he may have done nothing to earn it. Since he has to bear the loss when his wheat or his stock falls in value, it is right that he should enjoy the exceptional advantage when the value rises. In the long run, he is apt to lose as much as he gains in this way.

Suppose, however, a man's land rises steadily in value, while he does nothing to add to its usefulness? This happens in a growing town or a new commonwealth. People pour into the town who need land and farms. The land owes its increase of value to the coming of these new people. Does a good citizen wish to grow rich in this lazy way, without giving any service for what he gets, or sharing the increased value with his fellow townsmen?

**Property by possession.** — Suppose one found some of Captain Kidd's treasure: it would be impossible to restore it to its rightful owners; it would, therefore, be the property of its discoverer rather than of any other man. So, also, in case one had inherited property

from an ancestor, who had made his money by fraud, or by the African slave trade. It would still be the man's property, since no others could rightly claim it. Would it not, however, be fair if the Government levied a heavy tax on such pieces of property as these?

**Property in land.** — Such property as may be removed — clothes, furniture, ornaments, cattle, produce, money, etc. — is called *personal property*. This includes paper and certificates of property, such as bonds and bank shares. The most important kind of property is land. The land and the buildings upon it constitute "real estate." What gives anyone a private right to own the land? It is not property that is, *a man's own*, in the same sense that the things which he has created are his.

When Robinson Crusoe came to his lonely island, although savages sometimes roamed over it, they were not using it, and did not rightly own it. Crusoe accordingly took what he needed for pasture or for tillage and garden. Suppose that another ship were wrecked on the island, and its crew came ashore. It would not be fair for him to claim the whole island, and to make them pay him for the wild land; nor, on the other hand, would it be fair for them to take from him the land that he was using. The land was his to hold and use, but not to own against the welfare of others.

Suppose, after the best land had been taken up, another company of men came ashore. It seems hard that they should not have as good land as the earlier comers; but it would not be right to demand the fields already occupied, cleared, and improved. When strangers come late to the table at the hotel, it will be

friendly in those who are seated to move closer and accommodate the later ones, but otherwise must they not wait for the second and possibly poorer table?

As long as there is plenty of wild land, as there once was in the United States, there is little difficulty about the ownership of it. So, if every one used his land, having got it fairly in the first place, there might not be any question about its rightful ownership. But suppose the land was acquired in war or by violence; or by injustice, as when the Highland lords in Scotland dispossessed the clansmen of land which rightfully belonged to all the tribe; or by a fiction, as when the king of England granted or sold vast lands in America which did not belong to him.

The laws and custom have allowed men to take up and hold more land than they can use, and to keep it unemployed when others need it. This cannot be right.

When wrongs have been done, it is hard to right them at once without doing more wrong. For the present owners of the lands that were once wrongly acquired may have honestly paid for them, and may really use them. We do not wish to take anything which our fellows have paid for without making compensation, or to change the laws about holding and taxing the land, except with regard to the welfare of the whole people. Here is a great question to think about. Is our custom of permitting unlimited property in land a public advantage or not? Suppose there is more enterprise and better care of the land when men are free to acquire and use it as they please; even so, it can never be right that individuals shall hold great tracts of land as their exclusive domain, while millions of others have no land.

**The right of eminent domain.** — Property in land is in fact always held subject to the needs of the State. Thus, if the government requires a piece of land for public buildings, if a new street or a railroad needs to be laid out through a man's farm, the individual cannot keep his land in the face of a public necessity. He is simply entitled to fair compensation so as to save him from actual loss.

**Corporate and common property.** — There is much wealth owned by persons in common. Thus, several farmers may own a threshing-machine or a creamery. A number of persons may unite in establishing a savings bank or a factory; they constitute a *corporation*. All the people of a town or city own the public buildings and schools, the parks and the streets. Every new-comer who is enrolled as a citizen, and every child born in the city, becomes a sharer in this property on equal terms with the rest. So with the property of the State, in which every citizen is a sharer. So with the property of the Nation, including great tracts of lands and forests and water power in the Territories. Our Government claims such lands as belonging to the American people, and not to people in Asia or Africa, because the land is within our boundaries; as a farmer claims land for which he holds a title. The Nation thus becomes responsible for the care and proper use of this public domain, polices it, and provides against fire and other kinds of waste.

All may too become sharers in the knowledge, the inventions, the discoveries, by which each generation inherits the labor and thought of all previous time. The value of this common knowledge is immeasurable.

**Property and the public interest.** — We respect private property for two reasons. One reason is our regard for the individual. We respect his claims to his various belongings and earnings as we wish our own claims to be considered by him. A second reason is the public good. There will be more work, industry, energy, and thrift, if individuals have freedom to own and use and give away their property, than if we forbid them to have anything of their own. This is the experience of mankind. It is the same in a nation as in a family. The whole family will have more if each member can make and hold his own things, than if no one can call anything his own. So the community will create and possess more wealth, and all will therefore be likely to be better off, if each is reasonably free to acquire and hold property, than if all the property were held in common. We presume, however, that the individual gets his property honestly and not at the loss of others. To get property honestly means usually to get it by some kind of useful service.

If we discover any kind of property — turnpikes, bridges, waterworks, or railways — which, in view of the common welfare, individuals or companies had better not continue to hold privately, the individuals, in such case, ought to consent to let the public acquire it, in such a way as to do no injustice to the present owners.

**Responsibility for property.** — We have seen in government that an official does his work best when he is directly responsible for his conduct. So, a reasonable regard for private property works to make each person responsible for what he has. He learns about values, and what wealth is for, and how much effort it costs to earn a dollar. If the boy has his own clothes and hat,

he and no one else will be bound to take care of them. If he has his allowance, he will be bound to keep account of it, and not to waste or lose it. So if a man has his own property, he learns to use and save it. If he has his own land, he is responsible for the care he takes of it; he will take pleasure in tending and beautifying it; he will be likely to put permanent improvement upon it, in clearing and draining it; he can afford to build a substantial house, where an Arab would only set up a tent. To respect a man's property is thus to make him responsible for it; and responsibility develops his character and makes him more of a man. If he is a good steward for his own property, he learns to be a good steward for the public property. Whereas if he is too slovenly to take care of his own, he would be unlikely to take good care of the common property.

## CHAPTER V

### HONEST MONEY

MEN do not trade together long before they invent something to measure the value of wealth. Money is that by which they make such measurement, as they measure distance by the length of a pole, or by a yardstick. They begin with rude kinds of money, such as wampum or beads or cattle. Thus an American Indian would sell a valuable package of furs for strings of wampum. The precious metals, and especially silver and gold, have been the chosen forms of money among civilized nations for thousands of years. In early times the money was weighed. Afterwards it was coined; that is, a bit or piece of a certain weight was stamped by the sovereign or the government.

**Changes in the value of money.** — It would be convenient if one kind of metal had always had uniform value. But there is no such metal. The supply of gold or silver, like the supply of other things, varies from one time to another. The opening of new mines and fresh discoveries of precious metals tend to lower their value, as a large harvest lowers the price of wheat. On the other hand, increasing trade causes a demand for more money, and tends to absorb the supply. Ignorant people, as in the Orient, often hoard or hide their money; this money “goes out of circulation.” There is a changing demand also for gold and silver for other



purposes besides money, as for articles of ornament or luxury; thus much coin is melted down every year and ceases to be money. For various reasons the same amount or weight of gold or silver will not, therefore, buy as much at one period as at another. Probably a dollar in gold never bought so little food or paid for so little work as now.

**The double or single standard of value.** — It has been common to use both gold and silver money, though unfortunately the two metals vary with respect to each other, like all other values. Thus, gold is estimated to have been worth eleven times as much as silver in the fifteenth century, fifteen times as much at the close of the eighteenth century, and more than eighteen times as much in 1879. There have been further changes since. Thus, the silver in a dollar may not now buy one hundred cents' worth of labor or produce.

**A moral question.** — When the Government stamps a coin and makes it "legal tender," that is, good money to pay debts, the stamp is a guarantee or pledge that the coin has as much value as it says on its face. Thus, the gold eagle says, "I carry two hundred and fifty eight grains of gold." But if the Government should make eagles with one-fifth less gold than before, and still mark "ten dollars" on them, they would not tell the truth. Every one who had promised to pay a thousand dollars could use the cheaper coin to pay his creditor. But suppose, when the debt is due, the gold coin is a fifth harder to procure than when the promise was given; ought the creditor to be willing to accept fewer dollars? This may happen, without the interference of a government, but by a slow change in conditions of business.

**The money of commerce.** — Governments coin money, but the commerce of the world fixes its value. For commerce, in her great markets, like London and New York, where the business of the world meets and is settled, asks of all commodities, and the coins of every nation, What is their worth? A government may put a false mark on a coin or mix alloy with the metal, but commerce weighs and tests the coin, and will not give more than it is worth.

For the present, the standard of commerce seems to be gold. This is because the great commercial nations use this metal in settling their accounts. Even when they use silver coinage along with the gold, as a matter of fact, they refer their values to the gold basis. Thus the United States counts values, not in silver dollars, worth in weight of silver less than a dollar, but in gold dollars corresponding to the pound sterling of London. When money has to be sent back and forth between nations, the gold is more convenient, being less bulky.

**Paper money.** — Although a dollar means a certain weight of precious metal, most of the money in use consists of paper bills. There is, in fact, risk and inconvenience in carrying coin, and especially in doing a large business with it. If all the wheat and cotton of the West and South had to be paid for in metallic money, there would be great cost and loss, merely in sending the vast weight of coin thousands of miles. Civilized men have therefore invented paper money of various kinds as a substitute for coin. A large part of the paper money in use is issued by the National Government.

**Bank bills.** — A bank bill is really a printed promise or order for coin. The bank will pay you the coin if

you prefer it to the paper. As long as men believe that the bankers will keep their promises, and pay the coin when requested, they do not care for the coin, but find bills more convenient. In order that the people may be protected from loss, it is the custom for the Government to superintend the banks which issue bills. They are not allowed to issue too many bills; that is, to make more promises than they are able to keep. A great system of Reserve Banks established by act of Congress holds the banks together and helps to keep the credit of each bank sound.

**Checks and drafts.** — Besides bank bills there are millions of money in private paper orders which are sent by mail, or pass from hand to hand. Thus, a merchant in New York, instead of sending a great roll of bills to pay for lumber or iron, deposits the money in a bank, and writes a check or order upon the bank for the amount of his debt. If the merchant is honest, the check is the same as money, and another bank in Michigan or Tennessee will accept it from the lumber or iron dealer. Or, a merchant in New York, wishing to pay for his goods in Bordeaux, will get a draft or order for so much money from a banker in his own city upon a banker in Paris or London. This draft upon a well-known and honorable bank will be as good as money anywhere in the world where ships go. Thus orders for money become themselves a kind of money. The orders may even be sent by telegraph over the continent or under the ocean. Thus a bank in Chicago, which is known in Rome or Petrograd, may telegraph an order to pay some American student money which the boy's father had deposited in his bank at home.

**Government and paper money.** — The Government of the United States borrowed on an enormous scale to pay the expenses of the Civil War. Besides other methods of borrowing, hundreds of millions of dollars in bills were issued. These bills were the promises or pledges of the Government to pay as many dollars in coin as was printed on the face of the bill. The bills were used to pay for supplies and the wages of soldiers. The Government, however, was not able for a time to keep its promises and to pay specie, that is, the coined money of commerce, to merchants and others who wanted it. On the contrary, the quantity of paper notes was so great that some feared lest, as in the case of the continental currency of the Revolutionary War, the bills would never be paid. It happened finally that almost three paper dollars were required to get the value of one gold dollar. The value of the paper dollar varied with every victory or defeat of the national arms. The gold and silver were hoarded away or sent abroad to pay the merchant's debts. This was because the paper dollar no longer told the truth.

**Specie payments.** — After the Civil War, as soon as confidence was restored that the Government could keep its promises, the paper money rose in value. The yard of cloth that had sold for nearly three dollars could now be had for, perhaps, a dollar and a quarter. At last the Government resolved to make the paper dollar tell the truth again. It was announced that anyone who wished might have gold coin at the Treasury in exchange for the paper bills. But very few persons now desired to draw the bulky gold, since the paper dollar at once became as good as the gold to buy the yard of cloth.

**Gold and silver certificates.** — Besides the notes of the Government, or its promises to pay, other bills or certificates have been issued which entitle the holder to so many gold dollars, and again another class which entitle the holder to so many silver dollars, deposited in the Treasury vaults. These certificates are also as good as money, and much more convenient.

**A national danger.** — Our Government has, first, gold dollars which correspond to the money of commerce, containing the precise value marked on the face of them; second, silver dollars, stamped by the Government, but containing less than their value; third, silver and nickel currency, used merely for convenience, but not containing nearly the worth stamped upon it; and, fourth, paper notes and certificates, worth nothing in themselves, but guaranteed by the wealth and honor of the Nation. These different kinds of money circulate together as long as the Government honestly keeps in its vaults sufficient gold coin — the money of commerce — to enable every one who has silver or paper dollars to come and get an equal number of gold dollars, if he needs them, to pay for goods abroad. If, however, at any time, the Government should refuse to give the merchant the real value in gold in exchange for the silver or the paper, the same thing would happen as in the Civil War: the silver dollar and the paper would cease to tell the truth; the yard of cloth would rise in price; all values would change.

It would be precisely as if the Government, like the despots of old times, clipped the coin or mixed alloy with it, so as to make a new dollar of less worth. The true dollars, such as the commerce of the world buys and sells with, part company with the false or debased dollars, and

disappear from the hands of the people whose government does not keep its faith or make its money tell the truth.

We see here how war tends to unsettle values. While multitudes of men are drafted away from the usual industries, the labor of others becomes scarce and prices rise. While immense sums of money are borrowed and spent, the dollar cannot buy as much as before.

## CHAPTER VI

### CAPITAL, CREDIT, AND INTEREST

SUPPOSE a number of men go on a fishing voyage. It is not enough to possess skill and strength; they need boats, fishing tackle, and a stock of provisions to live on while they are gone. The wealth required to begin an enterprise, or to carry work through, is called *capital*. Thus a farmer, if his land were given him, would still need farming tools, cattle, and provisions enough to support him till he got his first harvest. He would presently need capital to build a new barn. In the case of a great enterprise, a factory or a railroad, an enormous capital must often be laid out to purchase materials and hire the labor of a large body of men before any return is made to those who expend their capital.

A poor or barbarous people make little progress, because they have no wealth or capital with which to buy material and tools or to feed and clothe workmen. Where every one is poor, men have to supply their own daily necessities. There must at least be an accumulation of food before great works can be undertaken.

**The accumulation of capital.** — Whoever produces or saves more than he consumes accumulates capital; for example, a farmer may produce food enough for a dozen families, or a shoemaker can make shoes enough for a neighborhood. Wherever men labor, their industry accumulates capital, or produces and lays up a supply of produce or material to be drawn upon for further work.

In the most simple society, the harvest of each year is the capital to provide against the needs of another year.

The use of machinery, and especially of steam, water, and electric power, enables a few workmen to do the work of armies of men, and so to accumulate capital on a grand scale.

**Credit.** — A man does not always need to have accumulated capital himself. If he can work and is honest, he may find some one willing to make him a certain advance of money or provisions on the expectation that he will do work or business enough to repay. The amount of this advance is called his *credit*, and depends upon his ability and character. If he is a skillful fisherman, he may find some one who will lend him a boat. If he has at the same time a piece of property, a house, or a lot of land, his credit will be greater; some one may trust him with money to build a larger boat. Perhaps an industrious shoemaker, who has saved a thousand dollars, thus becomes a silent partner with the fisherman, and both get on better by this coöperation.

So, a farmer owning his land and buildings may not only work his farm, but through his credit obtain additional capital to make improvements and increase his products. Or the owner of a mill may go to the bank and get money to buy raw material or to expend in wages to his men till his returns come back from the sale of his goods. All this is made possible by credit, or the trust which men repose in one another's good faith in keeping their promises. The more honest men are, the more credit there is and the more work can be done.

**Corporations.** — Many individuals, each with small earnings or savings, often combine together, and trust



their capital to directors or trustees who manage for all as they would for themselves. Thus masses of capital may be employed to better advantage than a small capital, in using machinery and paying many workmen, so as to produce more and to effect greater economy. Railroads, gas companies, cotton mills, savings banks, and many other corporations are formed by this kind of union among many individuals. These corporations for massing and using capital are only made possible where there is a considerable number of able and honorable men, who can be trusted to hold and manage the money of others.

**Profits.** — In most kinds of industry — in farming, for example — our labor produces more than its bare equivalent. There is a natural increase besides the cost of production. We call this surplus the *profit*. It arises from our putting into the enterprise something more than the mediocre average of our energy, brains, and skill. It is the encouragement which nature gives when man begins to work. Thus a farmer ought to be better off at the end of the year than he was at the beginning. There will be an increase of cattle and sheep and fowls. The amount of this increase will depend, not only upon his skill and intelligence, but also upon the capital which he has at his disposal. If he has money enough, he can employ extra labor to drain his boggy land; he can fertilize his fields; he can buy machinery, and harvest larger crops. Nature, by showers and sunshine and the fertile soil, will always add something to encourage his enterprise; on the other hand, if he is lazy and dull, nature will prod him with various discomforts to urge him to labor and to learn.

So in other kinds of industry. Besides barely enough

to support life, the patient and skillful fisherman will bear home a profit which he can dispose of to enable him to add to his capital. If he already has capital enough to buy the best sails and fishing tackle, and intelligence to direct a number of men, he can increase the profits of his whole crew.

The merchant, likewise, who contrives to bring supplies of goods to the points where men need them most — from the farms where the owners have been known to burn the corn for fuel to the towns where, without the corn, people would starve — will get more than the bare cost of his business and his living. He will “make money” in helping others to make money.

In short, the whole community, if intelligent and industrious, will do better than merely to live; it will be enriched by the increase or profit which nature, coöperating with man, gives for labor wisely expended. This profit will be larger in proportion to the skill, education, patience, industry, and integrity of the people. It will tend to come to those who show these qualities, but will be reduced wherever the people are dull, dishonest, shiftless, or lazy.

**Rent and interest.** — Suppose that a skillful young fisherman borrows a boat and tackle of a widow whose husband has been drowned, and goes fishing. When he returns, he shares his catch of fish with the men who went with him, and with the woman who owns the boat. This is her *interest* in the fishing, on account of her boat. This would be the simplest form of interest. It would be the same, in fact, if the fisherman, instead of paying a share of his catch in fish, engaged to pay her a fixed sum for the use of the boat.

It would still be the same in case the fisherman, instead of hiring the boat, borrowed from the widow the value of the boat in money. The young fisherman could then buy a boat for himself, and pay her for the use of her money the same sum which he might have paid for the boat.

Likewise, if the widow has a farm which her husband has cleared and drained, or which he has paid for out of his earnings, some one might like to borrow the farm, and pay her a share of his harvest. He might thus do better for himself than if he took up wild land. Or he might borrow in another way. The woman might have sold the farm outright for money; he could then borrow the money, and buy a farm, and pay her so much every year for the use of the money, instead of paying for the use of the land.

By the use of the woman's capital, the fisherman or the farmer increases his product; without it he could not have made so much. He, therefore, in fairness, shares with the owner of the capital. This bargain is good for both parties in it. If one borrows a thing, a piece of property, or land, the share that he gives for its use is called the *rent*. But if he borrows money, the return upon it is called *interest*. We have seen that money is practically an order to pay for things or property. The borrower of money really borrows the things, whether boats, supplies, provisions, or materials, that he purchases with the money. The farmer who borrows money to improve his barn or buy stock really borrows to buy fertilizers or cattle. The money is merely a convenience in making the exchanges. When at the end of the year he realizes larger harvests on account of these im-

provements, he owes a share as interest to the person whose labor or whose saving has enabled him to have the use of the money.

So with the mill that has borrowed money to buy cotton to make into cloth. Part of the returns must go to the bank, that is, to the persons who, instead of spending their money, saved it and put it into a bank to be used as capital for new enterprises. Do not these bank depositors deserve their share of the products of the mills, as well as the workmen who furnished the labor, or the superintendent who managed with the use of his brains to make the mill a success?

**The rate of interest.** — It might be agreed that the interest or rent should depend upon the amount of the product, whether more or less, of the fishing-boat or the farm. The lender should have a certain share, large or small, and the workman another share, and the manager who borrowed the capital still another. This is done in some cases. All then share in the risks and in the profits. Some years they would make good profits; again they might lose.

But suppose the man who lends the boat or the money prefers to take a small fixed rent or interest rather than to share in the risks of the business, and sometimes fail to get anything. This is usually the case. A savings bank lends its money at, for instance, six dollars a year for every hundred. The borrower gives security, perhaps a mortgage upon his house, and takes all the risks. The bank then gets a regular return for its money to divide among the persons who have trusted their savings to its care. The borrower has all the profits, after paying his interest and other costs.

**How interest is fixed.** — The amount of interest upon money, or the rent of capital, varies like all other prices. It depends upon the amount of money to be lent, whether it is plenty or scarce; upon the times, whether they are peaceful or stormy; upon the demand for money, whether few or many want to borrow; upon the security that can be given, whether there is much or little risk of repayment; upon the prosperity of the community where the money is used, whether the profits of business there are large or small. Thus the same money which will only bring three to five per cent when loaned to the Government might bring six per cent or more if loaned to a private person; or, sent to a new growing country like the State of Washington, it might get ten per cent or more. If the lender shares in the risk, he also shares justly in the larger profits. If he wishes perfect security, and the borrower takes all the chances, he must be content with a small regular share. In the long run the people who take risks, expecting to "make money" without labor or trouble, make less than their neighbors who put their money into the savings banks.

In general, and except in war, the rate of interest upon good security tends to diminish. This is because civilization produces such large capital and vast credit that reasonable enterprises can get what they need.

If interest is low, other things are likely to be low; and no one has to pay so much for hiring his house or for the cost of living. But if the interest is high, every one who has a dollar in the savings bank or a single share in a corporation shares in the increase. This is because the community is linked together, so that whatever affects the whole affects each one.

**Usury.** — Interest means the price paid for the use of capital; but it once had a bad name — *usury*. For in old times, before the science of money was understood, many thought it wrong to exact interest upon money, though no one saw any harm in taking interest as rent for property or land or boats. Money was scarce, and many lenders were extortionate, and took cruel advantage of their debtors. Laws were therefore often passed, forbidding more than a certain rate of interest. To take higher interest than the law allowed was called usury. But these laws, like the laws which governments have passed to fix the prices of other things, did little good. In some States such laws may still remain, though they are constantly disregarded.

The fact is, that all prices of money, land, labor, or products depend upon "the law of supply and demand." Ten per cent may be as fair interest on the Pacific coast, where the demand is great, as five per cent is in New York. In New York, too, money may be better worth six or seven per cent in a good year of business than five per cent in a very dull year. Neither can any legislature compel a man to lend his money or his land unless a fair return is offered him.

**Foolish borrowing.** — Wise borrowing proposes some increase of useful effort. Like honest labor, it produces for the community more than would otherwise be gained. But what if the man borrows for things that he cannot afford — an automobile for pleasure, or diamonds for his wife, or to speculate with? What if a man borrows, not to increase the efficiency of his work, but to spend for his living expenses? What if he borrows to relieve sickness or poverty? The truth is that most of us had

better pay as we go, and lay by a little if possible, so as not to need to borrow and to be able on occasion to help a friend.

**Farmers' banks.** — An interesting plan enables farmers to use capital upon their farms. The National Government provides for the establishment of banks in different sections of the country and lends its credit to start them. Investors of money are given the opportunity, safely guarded, to put their savings into these banks. The farmers give security for the amount of the loans and the money helps them to raise more produce than they otherwise could. The farmers of a neighborhood are associated together in procuring and using this money. They are given time in which to repay their loans and they pay a lower interest rate than if each farmer by himself had to find a money lender. This is what coöperation does to help people to help themselves. In many countries, for instance, in Denmark, there are immense systems of such coöperation.

## CHAPTER VII

### LABOR AND COMPETITION

**The law of life.** — The general rule is that men must work for their living. The amount of work required may vary with men's wants, or with the climate in which they live. A native of Samoa may get all the breadfruit and cocoanuts that he needs with little effort. But the higher the standard of civilization, the more things men want; and the more labor therefore becomes necessary.

The use of machinery, with the forces of steam and electricity, does not serve to change the general law. The more men use machines, the more their needs increase, so that the demand for labor still continues. Thus, when cloth could only be woven slowly by hand, men could have little cloth. But now that water power or steam can be made to weave cloth, every one wants so much more, that men and women still have to work for their clothing.

The law that men must work for their living at first seems severe. Is it not, however, a kindly law? Thus on the playground, those who join in the play not only are stronger, but surely enjoy more than those who only look on and watch the others. The physicians tell us that this is the law of health.

**Labor and wages.** — If any large group of people, the iron foundry, for instance, stop working, the supply of iron for the Nation is cut down at once. Every one presently suffers. On the contrary, the larger the number of



the workers is, the more regularly they work, the more they accomplish, and the fewer the drones in the hive, the greater is the product, and the more on the whole every one has; wages therefore tend to rise. It is the same with a nation as it is with a farmer's household. If all his children work they have produce to sell and grow prosperous. Why are wages higher in the United States than in Europe? It is because our product is greater.

**Labor and wealth.** — Moreover, besides the increase of men's needs and wants, there is a constant increase in the number of the population, requiring new lands to be opened, new houses to be built, and new mills to saw lumber or weave cloth. If all the wealth of the richest nation were divided equally, it would last but a short time before men would have to go to work to make more wealth. The richest nation is only in the condition of a farmer who has on hand a rather better supply of tools, stock, and farm buildings than his neighbor. But because he has this better supply, more care is required to keep it in order, and more labor is needed to use it. Thus, though the richer farmer lives better than his slovenly neighbor, he must still work equally hard or even harder, like the winning crew in a race.

**A common fallacy.** — It is sometimes imagined that it would be better for those who work if their numbers could be restricted. They fancy that they could then have better pay. Or it is thought that the workmen would be better off if they worked fewer hours a day. There are exceptional cases where this seems true for a while. Our point here is that the fewer the laborers are and the less they work, the less must be the production of the Nation.

If only half as many men make shoes, there will be fewer shoes for all. If ten million men work, and five million are idle, the latter will have to be fed by the others, with less food to go around. In short, the more intelligent and industrious the workmen are and the greater the number who are employed, the greater the product is which all at last share.

**The reduction of the hours of labor.** — On the other hand, there is a limit beyond which men do not work efficiently. They will not work to advantage if wearied, oppressed, or discontented. Free men will do more work in eight hours, putting their good will or interest into their work, than in ten or twelve hours of slavish labor. Of course there are times, as in the harvest, when men must rush things and rest afterwards.

**The general duty of labor.** — It follows that every one must contribute his share somehow toward the sum of the product of the Nation. For if anyone only eats and drinks and enjoys, but does not labor, he makes the Nation poorer. To work is not merely a necessity, it is an honorable obligation. That a man is rich gives him no right to consume or lessen the wealth of the Nation. On the contrary, his wealth, like the richer farmer's tools and stock, is an added reason why he should do a larger share for the good of all.

**Different kinds of laborers.** — The word *laborer* properly covers all kinds of service in behalf of the household or the community. In the larger sense not only the miner, the stevedore, the farmer, or the blacksmith, but also the clerk, the bookkeeper, the teacher, the superintendent of the mill, the president of the bank, the trustees of property, are laborers or workmen. Socrates

the philosopher, and Tennyson the poet, Macaulay the historian, and Darwin the naturalist, all have each added in his way to the resources of mankind. Even a child who shows an obliging temper makes the work of older people easier, like the oiler who keeps the machinery running.

**Disturbances in industry.** — It is impossible to divide the labor of the Nation exactly, so that each shall do his fair share. Some are more willing or more capable than others. Some are quicker in finding their proper places. Some like to work and others do not. If any part of the body fails to take its share of the burden, strain comes upon the rest. Moreover, if the body is exposed to sudden change, the circulation is checked and one suffers a chill. So, in a great industrial society, any sudden change of conditions is likely to cause disturbance. Thus there are frequent changes in the demands for labor. There may be a sudden need of wheat, or of boots and shoes, and many will start wheat-farms, or go into the shoe shops, till presently there is more wheat or there are more boots and shoes than are called for at once. Every invention or improvement, however beneficial in the long run, is apt for a time to cause disturbance and inconvenience. Thus, if the farmer buys a reaping-machine, he will not need to hire so many men, who may not at first find a new employment. The use of steam has multiplied the power of the world, but it has also caused disturbance to the old-fashioned industries worked by hand.

The requirements of commerce also vary. A scarcity of food in Europe may force a demand on the American food supply, or the change of a foreign tariff may shut out our goods from the use of millions of people.

There may be too many men trying to get a living in the cities, where expenses are greater than in the country. Or there may be more lawyers or architects than the Nation now needs, and the extra lawyers must find something else to do. This irregularity in employment causes inconvenience and trouble and often serious suffering.

**Business crises.** — It is said that “there are tides in the affairs of men.” So business and work have their high and low tides. This is partly because men have not yet learned to see far enough ahead to provide the exact amount of wheat, iron, and other materials that they need. There are not likely to be too many people to work, but there may be too many workers in certain industries and too few in others. The law of supply and demand acts in such cases to cut down profits and wages, and to turn men from employments where they are less needed to those where they are more needed. Meanwhile, during the process of change, work stops, men are thrown out of employment, less wealth is created, business becomes dull, merchants fail, the mills which are not well managed go into bankruptcy, and new enterprises are checked. Thus, whenever men work blindly in any direction, a period of reaction is likely to set in till the balance is readjusted; as when one uses certain muscles to exhaustion those muscles must be rested and other muscles brought into play.

**The free system.** — Whenever men are free to get a living or to pursue wealth as each chooses, the usual result is *competition*. Competition really means *free industry*. Thus, one may choose his trade or profession, or if he does not like it, he may change. He is free to work hard or not; he may make his own bargains and

set his price upon the value of his labor or his products. He is free to acquire property to any extent, or to part with it. He is free to invest his money wherever he thinks that it will bring him the largest return, in the land or on the sea; or to hoard it, if he can afford to be so foolish. If anyone by working harder, or by his skill, or by intelligence, can make better wages than his neighbor, he is free to live better or he can live simply without working so hard. His neighbor is free to follow his example and to learn to excel him in turn. If one has genius, as Rothschild had, for handling and managing money, he is free to exercise this genius, as another is free to handle his tools.

**The law of free industry.** — Anyone is free to work when and where he chooses and at such terms as he can make for himself, provided he does not interfere with other men's rights. He is not free to snatch what belongs to them, or, being stronger, to push them aside, or trip them up, or hinder their freedom. He must not interfere with them by force, nor oppress them by fraud, or by getting laws passed to the disadvantage of others; the rule of the playground that all the boys are free to play as they like, only so as not to interfere with each other, holds good for industry.

**The good side of freedom.** — The freer men are to choose their work and to use and enjoy its results, the more work they are willing and happy to do. Their energy and enterprise are called out, their wits are sharpened, their hopes are stirred. At its best work becomes like play, an exercise of skill and power. If anyone wins unusual success, others are encouraged to try the better methods. If anyone enjoys his money, his

neighbors are urged to work harder, that they and their children may have the same enjoyment. Thus every one accomplishes more work in a condition of freedom, and the Nation is richer than if bad customs, like slavery and caste, or hard and fast rules fetter and restrict men and compel them to work. Do not children enjoy their sports better when left to themselves, than they do when the teacher meddles and makes rules for them?

Wherever men are really free to work, to earn, and to save or use their earnings as they please, the capable, the industrious, the temperate, and the intelligent tend to rise to prosperity. A considerable and increasing class become "capitalists" by the value of their houses or shops, or the amount of money in the bank. The skillful are always in demand, and generally at good wages.

**The moral side.** — Moreover, when men labor, earn, and save or spend with freedom, they develop patience, self-reliance, self-sacrifice, venturesomeness, integrity, respect for others' rights, generosity. The slaves of the kindest master could not develop these qualities. If a committee or government of the wisest men could manage and make rules for the rest, and provide for every one's necessities, men would not learn the sterling qualities of manhood so well as by being thrown upon their own resources. In fact, the strongest characters have been worked out through patient effort amid difficult circumstances.

**Certain evils of the free system.** — If some are free to work hard and earn more, others must be free to work less and earn little; as, if boys race, some will come in behind. What if they become jealous and suspicious of the more successful ones, and, instead of trying again

and doing better, grow discontented and sulky? But the worst trouble is that the energetic and fortunate people too frequently grow hard, proud, and selfish. Sometimes they are the beneficiaries of privileges and monopolies which they fear to lose. Even in a free land the laws do not secure complete freedom. No man is quite free as long as he is dependent upon another man, his employer, to secure work and a living for his family.

**The men at the bottom.** — We have learned in ordinary times to feed and clothe the population. We do not mean to let anyone starve in the face of plenty. But the risk of occasional suffering still remains, especially among the unskillful and the newcomers who cannot speak our language. They cannot find employment as fast as they come to the country; they accept work for a meager pittance; the wages of others are kept down. This is because men are free to seek a living where they please, but not free enough to get away at once from where they are not needed to another place where their services would be in demand. If they were not free to come and go, fewer could crowd into the city. But if men choose to be free, they must sometimes bear the consequences of their freedom. Would any system work well if the people remained ignorant and careless?

**Two kinds of competition.** — There are two kinds of competition. One is that of brutes that struggle with each other. So there are brutal or thoughtless men, who try to get as much as they can for themselves by pushing and crowding the others. They seek, like robber barons, to make their living at the expense, or by the loss, or out of the labor, of others. We have plenty of

laws to restrain oppression and fraud, but good laws are of no use unless the people are behind them. Better than laws is a new public opinion against men who seek to live by getting away the property of others. The boys and girls in our schools can help in making this new public opinion.

**The competition of men: emulation.** — The competition of brutes is to get away what the others possess. The competition of men is to do more and better work; it is to economize material and power; it is to add to the sum of human wealth and enjoyment. In the competition of men every one in the end becomes better off; some excel, while the level is raised and the opportunities of all are enlarged. The object of intelligent men now is not to snatch the food from the table, but to heap the table with larger and more varied supplies.



## CHAPTER VIII

### THE GRIEVANCES OF THE POOR

**Two extremes in society.** — The condition of mankind in barbarous times was that of constant peril from disease and famine. Men frequently did not know where their bread would come from. Our present civilization has not yet raised all men above the chronic dangers in which our forefathers lived. There are many, especially in the cities, whose meager wages barely keep them from actual want. They cannot always get work. Frequently their wages are cut down, or they are thrown suddenly out of employment.

There are thus two extremes in society — those who live in luxury and have more than they need or deserve, and others whose toil seems hopeless. Justice and humanity alike raise the question, how this unequal distribution of wealth can be kept from working cruelty.

**Social discontent.** — In most industrial countries many people are bitterly discontented about these things. These are the *socialists*; they believe that something must be wrong in a community which allows a few to grow rich while many remain in abject want.

The discontented are divided into various classes. Some of them have suffered so cruelly from bad government, as in Russia, that they favor revolution. Some, the *anarchists*, do not believe in governments with armies and police to enforce laws, but think that men would behave better if they were free of the control of the State.

Some go to the opposite extreme, and believe that the government should own all the capital, and furnish every one with work and supplies. Others think it a great abuse that individuals can own all the land and make others pay rent for it. They would have the land so held by the community that no one could have land which he did not use. Every one should then pay a fair rent to the government, that is, to all the people, to be expended for the benefit of all. Some people wish to fix the tax system (the single tax) so that every one can enjoy only as much land as he would actually use; for this use he should pay rent to the State.

Many also claim that the government should own the railroads, the telegraph, the gas and water-works, and perhaps also the mines and factories, and other property, now worked by great companies. The government could then furnish employment to laborers with just wages and fair hours of work.

In general, whoever wishes to add to the kinds of wealth which the people own together is so far a socialist. In a free and civilized country most men are partly socialists, inasmuch as they favor common schools, parks, public buildings, sewage, water-works, and the post office, and, in fact, a common government.

**The men and the system.** — One cause of men's poverty and distress lies in the fact that the people who make up society are still very imperfect. The body cannot be sound and well unless the parts are sound.

**The inefficient.** — There is everywhere a class of ne'er-do-well people, feeble in body or mind, and lacking in energy or skill. Their misfortune is not so much that they are poor, as that they lack health and

energy. If many of a people are inefficient, as in certain tribes of savages, the whole community must be poor.

**The ignorant.** — What if a large proportion of people are ignorant? The ignorant not only cannot earn or produce as much as the intelligent, but they also waste food, fuel, money, and life itself in a thousand ways. If an ignorant people or a single ignorant household were given the best arrangements possible, they would not prosper.

**The idle.** — How many idle or lazy people do we know, who do not care to study or read, or even to play, who prefer to watch others play, who do not desire to work? The more of these there are, the harder must others work. However excellent our social arrangements were, the idle people would drag upon us. Their needs now urge them to work at least part of the time. Should we use the arm of the law and compel them to work, or should we let them live on the community? Neither course would be good for them or make them happy.

**The unfortunate.** — There are many who, without being imbecile or inefficient, are rendered helpless through sickness, accidents, losses, and the death of friends. Among these are widows and orphans who may be permanently unable to earn their living. All these lower the average of the prosperity of the community. Others must cheerfully work the harder in order to make good for their misfortunes. No mere change in the arrangement of property will remove this class. But we can largely reduce their number by preventing and removing the causes of accidents and diseases.

**The vicious.** — Besides the cost of prisons and police, the labor of the community has to bear the constant burden of the vices which waste property, destroy health, and ruin character. Drunkenness alone has hitherto been the cause of a large proportion of the poverty.

On the other hand, vice, and especially drunkenness and idleness, prevail wherever there is injustice or oppression; no one behaves at his best unless he believes in the fairness of his government, his employer, his teacher.

**A problem.** — We who make up human society are more or less imperfect, more or less educated, more or less successful or happy. How can any social plan work well till we, the individuals, are better? How can a crew win a prize in the best of boats, unless the rowers are strong and skillful? Can we contrive any improvement by which all can possess and enjoy more?

**The objects of society.** — One object is material, that is, an abundant supply of all sorts of products. Does anyone think we have a sufficient supply now? Suppose we have enough now to give an average of three dollars a day for each person? How can we all have more? One way is to contrive to produce more, either by working harder, or by better management, or (what comes to the same thing) by good care not to waste our dollars when we get them.

**Justice.** — We organize and make laws to secure as much justice as possible. Can we ever get perfect justice? Should we be content if we got it? Who knows that his father or his employer gives him his exact dues? Suppose a boy thinks his lesson worth more than the teacher marked him. Suppose a man

values his work too much, Can we ever make such men contented? Can society, that is, all of us together, do this better than teachers or parents do it? Some now have more and others less than they deserve. Should we prefer to share alike, without asking how much anyone did? Is any man, or any number of men, wise and good enough to award perfect justice?

Suppose now that every one who wants justice tries to do it; the parents try and the children try too; the teacher tries, and the pupils; the employers and the employed people try; in all our dealings every one tries hard to do justice to every other. Who would not choose to do justice, and a little more, now and then, and possibly be willing to suffer an injustice once in a while, rather than to try so hard to get justice for ourselves as sometimes to do injustice to others?

**Freedom and manhood.** — The greatest object to be gained by human society is manhood or character. Give us men and women who think for themselves, unafraid of what others say or do, with plenty of hearty good will and sympathy for each other. Find us some new system to increase our supplies if you can, but unless it will also make our people more energetic, capable, generous, and high-minded, we will not accept it.

**Faith or trust in men.** — Human society is bound together by confidence. We trust, on the whole, that our fellow-men will do right; they and we are more alike than we are different. We trust, if we show them what is wrong, that they will be fair and correct it for us, as we would do for them. If men cannot be trusted in the long run to do right, no laws or systems can be

trusted. For men make and enforce the laws. But if men can be trusted, the fewer laws we make to compel them, the better they behave. Who of us likes to be forced to do right? Who of us is not pleased to be trusted? Society ought to be like the model school, where rules are least needed.

**Summary.** — However much we desire to cure injustice, or to bring relief to the poor, we must preserve freedom. We must get justice by doing it; we cannot cure one kind of injustice by doing another. If we knew that some one had more wealth than he deserved, would this make it right for us to appropriate his wealth?

It is probable that the permanent common wealth will largely increase, at least in the form of school-houses, hospitals, museums, public grounds, and buildings. No one can foresee sufficiently to be sure that various services, now performed by great corporations of individuals, may not sometime be advantageously performed by the whole body of the people.

The fact is, when all are faithful and honest enough to be trusted to act fairly as individuals, all can then be trusted to act justly together. Neither can all act together, doing each other no injustice, unless the individuals first learn to be just; as the boys of a club cannot play well together till its members are each willing to do their share of the work, free of jealousy, and happy to see each other succeed.

## CHAPTER IX

### THE ABUSES AND THE DUTIES OF WEALTH

**The significance of property.** — Property gives its possessor a lien more or less on the produce of the world. Besides the share which his work or skill buys, he is also entitled to an extra share representing his property. He may even do nothing, and yet draw from the world an income equal to the value of the labor of hundreds of men. It is as if the world carried a mortgage upon its shoulders. If one thinks of the products of the world as put into a vast pile, a certain part of the pile must be given to the owners of property. On the other hand, is not the pile larger on account of the property which has been used as capital? The owners of property have furnished the necessary tools, machinery, and materials. The property-owners have often made the tools by their skill, or invented the machinery, or gathered the material by their frugality. So far as this has been the case, no one grudges them their larger share in the products. Nor is anyone poorer because they have more.

**The rich.** — A few rich men in a community often possess a disproportionate share of the property. This is true on a small scale in a fishing village or among farmers. It is partly on account of good fortune, by which one man out of a hundred finds the school of fish or the nugget of gold. It is partly the result of training and character, since few know how, or care,

to manage and keep their property. It is partly also because property, like a snowball, after it has been rolled up to a certain size, tends to grow bigger and bigger.

Besides those who are rich through the ownership of property, such as houses and lands, there is a considerable class of people who are rich through the incomes which genius, special ability, or skill enables them to draw. The voice of a great singer, the acumen of a great lawyer, the insight of a physician, or the rare administrative ability of a railroad superintendent brings the same sort of exceptional income as the possession of visible property, and gives its possessor "money power." Rare skill or genius, like good fortune, is a natural inequality, making one man to differ from another. We find such differences in a school or family. They make life interesting. But we do not always love or value most those who possess exceptional ability.

**The rich who do no service.** — The custom of mankind has not only allowed men to enjoy the advantage of their fortune or exceptional ability, but also to give their property to others, and especially to their children. Many are rich who have done no more service themselves for the enrichment of mankind than if they had not been born. Sometimes the law has let children inherit fortunes which the fathers had acquired by fraud. As long as we permit the good and deserving to grow rich, and to transmit their wealth to their children, the dishonest will sometimes do the same.

**Different uses of wealth.** — Suppose one of the children in a family takes better care of his toys than the



others, or is ingenious and makes playthings for himself, and so possesses more than the rest. The whole household has more resources than if he had less. So, if one can make the pile of the products of the world larger, every one else will be better off. Thus, if a millionaire lays out his income in building houses, although he may grow richer by the rent, the city also will be richer, and every one may have better and cheaper shelter. So if he builds a mill, gives work to a thousand men, and makes flour or cloth.

But suppose the rich man uses the power of his wealth to get away what others possess; suppose that he buys all the houses and charges higher rent; or suppose he and others with him own a railroad and refuse to take corn to market unless the farmer pays ruinous freight bills; or suppose rich men could buy all the water power and tax every one in the country for its use. Such conduct creates a *monopoly*.

**Monopolies, good and bad.** — It is a monopoly when one or a few hold and control the use of any valuable thing. But a monopoly is not always bad or unfair. Jenny Lind's voice was a sort of natural monopoly. It gave her the opportunity to become rich. The laws confer a monopoly upon an inventor or author. No one can use the invention or publish the book without paying the man who holds the patent or copyright. The laws even give the inventor the right to charge more than is fair, if he chooses to be so foolish. Many monopolies are plainly oppressive. If Robinson Crusoe had secured the only spring of water upon his island, and had refused to let new colonists have water without working for him, this would have been cruelty. So it

is when men buy up some article of universal necessity, like rice, coffee, or quinine, in order to get their own price out of others' pockets; or, again, when they get laws passed which compel us to use the product of their mines or their mills rather than goods made elsewhere.

**The limit of monopolies.** — The great moral laws which govern the world limit monopolies. If the monopoly is abused, it checks or kills itself. The great singer may ask too large a price; the author or the inventor may charge so much as to stop his sales. The railroad will not make so much money by high rates as by carrying more goods at fair rates; or, if its rates are exorbitant, another road may be built. The salt or the sugar must not cost too much, or people will send abroad to get their supplies. This holds true if the monopoly is not protected by force or by law. But if the laws make the monopoly, giving advantages to one or to the few, or to a class of nobles or rich men, the remedy lies in making the laws equal for all.

**Land monopoly.** — We have already said that land is like no other property; no man created it as men create houses and ships. Moreover, there is a limit to the land in a country, but there is no limit to the things that men create. Does it not seem as if the laws governing the holding of land ought to be quite different from the laws that control other property?

The holding of land is now especially subject to abuse. For instance, it sometimes happens in a city that one man or a few, owning land needed for building houses, hold it so as to keep it out of the market and arrest the growth of the city, or they ask an unreasonable price.

This makes a monopoly. The idle owners may finally lease their land for other men to use, and so draw a large income for themselves from the prosperity of the city.

So when men get control of great tracts of fertile land, or of timber, or of mines: the time comes when these men have a monopoly, and can demand their own price for the land. This price has to come out of other men's pockets. For the men who hold the land monopoly do not add to the wealth of the world, or confer any benefit by holding their property out of the market.

**The cure of land monopolies.** — The laws may be made either to encourage monopolists of land or to discourage them. It rests largely with the assessors of taxes to see that the men who hold more land than they use, hoping to make money by keeping it, shall pay as much into the treasury as if the land were sold to put buildings upon it or to cultivate it.

**The rivalry of the rich.** — Kings used to be foolish enough to fight with each other to extend their domain; so rich men sometimes ruin each other's property in the hope of winning more at others' loss. Fortunes sometimes change hands on Wall Street as at a gambling-table. Men contrive to injure the trade or the business of their rivals, to make it unprofitable to run their mills, and to drive them into bankruptcy. This sort of struggle does not make the pile of the product of the world larger, but lessens the general wealth and produces hardship as in time of war.

**Waste by the rich.** — A great fortune may be like a reservoir in which the water is stored to irrigate the fields. But suppose the man uses his income for his

own indulgence, for his whims and fancies, like the famous mad king of Bavaria. Suppose he spends it in costly banquets, or locks it up in private pleasure-grounds. Even so he cannot spend without giving some of his money back, through the goods he pays for and the men whom he hires. Nevertheless, his waste and extravagance become a public loss. For while the investments of income in new buildings or railroads cheapen prices and rents, the expense for extra service and luxuries makes prices higher. The evils of gigantic wealth might be such that the community would be forced to erect some limit or safeguard against the abuse of money — as we have to do when a man wastes his earnings and starves his children.

**Capitalists.** — The poor man begins to be rich as soon as he has acquired any kind of property, as tools or land, or more than he needs to use at once for himself. He then becomes a capitalist. He may be an owner of shares in the great railroad for which he works. The bank or railroad in which he is an owner may possess more property than any man in the State. Like the rich man's fortune, so the company composed of many little capitalists is a reservoir for accumulating and using money. It has also some of the same dangers of wasting its resources, or of using its power to fight with others, or of making monopolies, or even of controlling legislation. It is not, therefore, the rich who are to be feared so much as wasteful, reckless, or unscrupulous men, whether they have much or little.

**The duties of wealth.** — The possession of wealth is not merely a legal right which certain ones enjoy, or a luxury of which a few accidentally may have more than

their share. Wealth imposes certain duties upon its possessor.

**Trusteeship.** — There are in the United States thousands of millionaires, holding the titles to a large proportion of the land, banks, railroads, mines, and factories. Their actual or personal services to the community cannot generally have been worth as much money as they possess. They may, therefore, justly be considered as so many trustees, having for the time the care and management of the accumulation of the wealth of the whole community. This great fund, as we have seen, is partly the product of human labor and thought, and partly the bounty of nature. It is morally sacred for purposes of good. The fact that this obligation is not legal, but moral, makes it more honorable. The idea of trusteeship does not apply merely to millionaires. Every person is responsible for what he uses or spends.

So far as rich men acknowledge and act under this obligation of trusteeship, there may be little public injury in their acquiring and holding as much wealth as they please. Moreover, if anyone is a foolish or incapable trustee, the rule is that his wealth goes out of his hands, as power disappears from one who does not know how to use it.

**Service.** — Does the possession of property ever give anyone a right to lead a useless or idle life? On the contrary, the more one inherits or accumulates, the more he is bound to the universal duty of some kind of service in making the world better, richer, or happier. The more wealth one possesses, the meaner he is, like a selfish older brother in the household, if he does no good with his money, or if he becomes only a bigger drone

in the hive. Does anyone imagine that happiness is gained by being mean and grasping?

**Sharing.** — The trusteeship of property makes it shameful for any intelligent person to lavish luxuries upon himself. Shameful, too, is unnecessary exclusiveness, especially with regard to grounds, paintings, and works of art. What can we think of a man who fences off from the public a great forest, or appropriates for himself alone a tract of the seashore? How can a man forget the principles of honor and kindness which hold in every home and schoolroom? We let a child own his knife or football and make him responsible for it, but we expect him willingly to share its use with the others and not to lock it up for his own pleasure. We do not need laws for this purpose; our public opinion makes the law.

**Public munificence.** — It was the custom of the Athenians to expect their richer men to undertake certain special kinds of public expense, as the fitting out of a trireme, or the cost of a festival. So in our times we expect no rich man to live and die without public benefactions. It is not merely generosity to give; it is the return of a debt. Much of the accumulated wealth of the world has arisen from the toil and effort of the men of the past, from whom we all inherit property, ideas, and inventions. Are we not bound to keep good what we have inherited, in special provision for the future — for public works and buildings, for schools and colleges, for art and music? The more property one has, the larger is his debt to the past for the sake of the future. Should we not be ashamed if our generation left the world poorer than it had been before we were born?

**The ideal city.** — What kind of town would you like best to live in? Not one where every one has precisely the same income as every one else; this would not be just. Not where the State holds everything and each individual must obey the rules of a great Central Bureau at the capital. Will not the largest prosperity come where the laws give free scope to the skill and energy of the people in the creation of wealth; where no hurdles are put in the way of those who are willing to work; where least money is wasted and squandered; where every one is respected for his worth as a man; where citizens are accustomed to work happily together; where the wealth which all help to earn flows naturally to those who show most industry, good sense, integrity, and capacity in making and using it? In such conditions, the wiser and more able people, being also friendly and considerate, no one could fall into grievous poverty, and no man could use his wealth for oppression. Thus, the free system of acquiring and holding wealth works out justice and happiness, as fast as individuals learn the democratic idea — to respect one another and to do to others as they wish others to do to them. But unless there are plenty of such fair-minded and democratic citizens, there can be no happiness or prosperity enforced by rules, whether made by a sovereign, like the German Emperor, or by the majority of a republic.

## CHAPTER X

### BUYERS AND SELLERS; OR, THE MUTUAL BENEFIT

THERE are two theories of the conduct of business. One theory is that each party in trade aims to get an advantage over his neighbor: one should try to get as much and give as little as possible. If goods are defective, the seller should conceal the fact. The only rights which this theory of business recognizes are legal rights. One must not overreach far enough to come within the penalties of the law. Otherwise, so far as the law does not prescribe, the other party to a bargain must look out for himself.

The notion underlying this theory of business is that whatever one makes, the other loses. As in gambling, the gain of the winner means that others must lose, so in business it is sometimes supposed that the successful merchant grows rich at the expense of his neighbors. Business is thus only a game in which every one is trying to win other people's money. The laws are the rules of the game.

**The idea of business.** — The fact is that buyers and sellers perform a mutual service not only to each other, but for the benefit of the public. Mercantile business is not a game, but an industry, like farming or manufacturing. The merchant increases the value of goods by bringing them to market. He therefore deserves wages or salary for the service which he renders in col-



lecting and distributing his goods. He receives his wages in the form of the surplus of his sales over their cost. The larger his sales and the greater his skill, — that is, the more valuable his services, — the greater his income deserves to be. The law of supply and demand regulates this. The income of merchants is not, however, uniform. Sometimes it is less than the equivalent of the work and cost which they have spent, and sometimes it is much more. It involves risk and forethought and attention to numerous details. In the long run, the merchant's income is nearly the same as equal labor, skill, and experience would produce in any other industry.

It follows that what the merchant honestly makes is not at anyone's expense or loss. The wheat gathered in the warehouses is actually worth more than when in the farmers' granaries. Neither the farmer, therefore, nor anyone else has lost by the merchant's fair profit in the purchase and sale of the wheat. So with other products.

**The rights of buyers and sellers.** — The earliest kind of trade was barter. In barter each party was both buyer and seller. In fair barter each shared the advantage of the exchange; for example, a pack of skins was exchanged for a sack of wheat. So in modern trade, which is only a more complicated kind of barter. In a fair sale the buyer and seller divide the value of a mutual advantage between them; each, therefore, ought to be better off than before. If a dealer, as a rule, got for himself the whole advantage of his bargains, it would be the same as getting what did not belong to him. In fact, business could not go on in this way. In the

long run the advantage must be mutual in men's bargains.

It follows that overreaching, even though the laws do not specify it, is an attempt to get what belongs to another. The sale of goods which are defective or below the standard — the adulteration of food or the watering of milk — is not trade, but an attempt to get what belongs to others. So, too, if purchasers seek to beat prices down to less than the cost of goods, they try to get what belongs to others, and they tempt men to cheat them.

**Is honesty the best policy?** — It is not only just that buyers and sellers shall share in the mutual advantage of their bargains, it is also for their interest. This is the meaning of the proverb, "*Honesty is the best policy.*" Business is best when every class gets full pay for its services. If the farmers do not get their share of the proceeds of their labor, they will have less money to spend and in the end the merchants will feel the loss in the slackening of their business. Men who have been cheated in a trade cannot so well afford to trade again; on the other hand, men appreciate just treatment and tend to treat the other man likewise. In a community where men aim to share generously, values increase and there is more wealth to share. Better yet, it is a pleasure to be sure that the other man with whom we deal is satisfied.

**Legitimate business.** — It follows that only those kinds of business are righteous which result in benefit to the public. Who wants to engage in a business which does no good, or which results in harm and loss to the community?

**The law of supply and demand, or competition in buying and selling.** — We can imagine all the cattle of the country to be in the hands of a few families, who have cattle and nothing else. They must therefore have wheat and other supplies from the farmers. They begin by exchanging with the nearest farmer at his own price, which gives him a large profit. A second farmer presently appears and offers his wheat for less; and the first farmer, rather than not sell, reduces his price. Thus, after a time, by competition, the farmers fix a price as low as they can afford. Thereafter the exchange of cattle and wheat regulates itself according to the plenty or scarcity of the one product and the other. If the cattle men have a good year, they can afford to furnish cattle at a lower price; if wheat is scarce, it must be dearer.

In some such way as this the prices of all sorts of things are fixed. The more valuable or the rarer a thing is — in other words, the more work it costs to obtain it — the higher its price. A great demand for any article sets many fresh hands at work to supply it, and it presently becomes plentiful; or, if the demand falls, the price is lowered accordingly. Thus, iron was once scarce and costly, till men learned to produce it on a great scale; then, all sorts of ironware became cheap. There was once immense profit in trading with China and India; there were also great risks. Now the merchants make so small profits in tea and indigo that it hardly pays any better to build ships for the Eastern trade than to build houses at home.

**Selling in “the dearest market.”** — Suppose that a farmer raises fruit and vegetables, which few of his

country neighbors care to buy. A few miles away, in the town, many people need his products. Their demand, being active, allows the farmer a good price. This is because he brings his fruits where they are most wanted. If he sends his goods to a great city, and furnishes superior fruit to persons who demand the best, he will receive still better prices. The "dearest market" is wherever the demand or need is greatest. Whoever takes the pains to meet such a demand will be well paid. The dearest market also is usually, though not always, where people can afford to pay a higher price. Thus, the dearest market for the farmer and fisherman is in the city, where most of the money is. It is of mutual advantage to buyer and seller when goods are brought to the dearest markets. By and by competition will bring the prices down so that every one can have enough at reasonable cost.

**Buying in the cheapest market.**—The cheapest market is where the supply is most abundant. The cheapest market for fish is on the shore where fishing-boats come in. Here is the place to buy to best advantage. The place to buy clothing most cheaply is in the great shop where clothing is piled on the shelves. Whoever will buy where goods are abundant and therefore cheap, accommodates the seller, who wants money for his goods. Thus, every one gains when purchasers buy in the cheapest market. If, however, too many purchasers crowd into the cheap market so that the goods become scarce, it is fair to all to raise the prices. In this case those buy the goods who need them or care most for them; but those who can get along without them do not buy, or they purchase something else, or they seek

a cheaper, that is, more plentiful, market. Meanwhile, as soon as prices rise, men set to work to provide a cheaper market again; in other words, to furnish a fresh and larger supply.

**Freedom in trade.**—In barbarous times it was so perilous and costly to travel, and roads were so bad, and transportation of goods was so risky on account of pirates and shipwrecks, that men often starved within a few miles of a cheap market. For many centuries troublesome tolls were collected of merchants, and customhouses stood on the border of every little State, so that men could not afford to bring their supplies to the markets. For want of free trade there was poverty and suffering, as when tight cords restrict the flow of blood to the limbs.

Civilization cuts the cords and gives the body freedom to act. It makes free turnpikes and bridges; it unites little states into nations and removes the barriers between them; it builds great lines of railway. In the United States there is perfect freedom of trade among the States and Territories. When, therefore, the crops fail in one section, supplies flow freely in from other quarters to meet the demand. Famine, the scourge of ancient times, is rendered almost impossible, except in time of prolonged war. The farmer in Dakota, with his great wheatfields, is brought close to the needy markets of New England. This is because every one in the Nation is free to buy in the cheapest market and to sell in the dearest.

**Freedom in trade; what harm it may do.**—While freedom in trade works well on the whole, it sometimes does harm, just as laws which work well for the

many may seem to do injustice to individuals. Thus, it is good for the Nation that we can buy corn in the cheapest market, which is in the West; but this at first was hard for the Eastern farmer, who could not raise corn so cheaply. It is good, on the whole, that the Vermont farmer can sell his eggs and chickens in the dearest market, which is Boston or New York, but this makes eggs and chickens dearer for the people in Vermont. We know that when there is demand in the brain for nourishing blood, it is drawn away for a time from the extremities.

**The two sides.** — Competition in trade may be selfish and cruel, if a neighbor outbids another or undersells him, on purpose to get rid of him and to control his business; or if a great firm seeks to crush its rivals. When there is a great snow blockade, cutting off a city from its supplies, it is selfish and cruel if the milkmen exact extortionate prices because of the needs of suffering children.

But competition or freedom of trade need not be selfish. A class of boys may aim each to get the most perfect mark of excellence; so every man who sells, if he be honorable and high-minded, may aim at furnishing the best quality of articles on the most favorable terms which he can afford; so purchasers may, and sometimes do, scorn to exact unreasonable advantage from the necessities of the seller. There is no need, because a man carries on business, to forget that he deals with men like himself. If the laws allow meanness and extortion, enlightened public opinion, not to speak of religion, calls the louder for humanity and friendliness, and brands as shameful the competition which forgets the *man* in the bargain.

**Paying one's debts.** — Men are debtors and creditors in turn, according as they owe money to others or others owe them. If, now, a man's debtors put off payment or do not pay at all, there will be difficulty in his paying his creditors as he has promised, and again, in their paying others. As the failure of any link in the chain weakens the whole, so whenever a promise is broken there will be suffering and loss. If many do not pay, money will be hard to obtain, and business in general will suffer; whereas prompt payment by one gives the means of payment along a whole line of men. The money which before failed to circulate, moves on freely and makes more business, as well as the means of happiness, every time it is promptly paid.

**Bankruptcy.** — It often happens that merchants and others fail to pay their obligations. No one then will trust them longer, and they may have to stop their business. This is a hardship not only to them, but also to others who depend upon them — their employees, as well as those who have been giving them credit. The greatest suffering often falls on those who are turned out of employment.

Bankruptcy sometimes happens through the failure of others; but most often it comes about through the extravagance, the folly, the unskillfulness, and even the fraud of those who have charge of the business.

**Bankruptcy laws.** — When men fail to pay their debts, there are often many creditors, all of whom ought fairly to share in the assets or property of the debtor, so far as he has anything left. It may be that the debtor, if the creditors will agree to give him time to settle his affairs, will contrive to pay them more than if they

seized and divided his property at once. It may be fair, too, if the debtor honestly gives up all that he has, for his creditors to release him from further payment and leave him free to go on in business, provided he can find merchants to trust him again. Bankruptcy laws provide through the proper courts for the protection of the interests of both debtors and creditors. Whereas once a debtor could be cruelly imprisoned by a hard-hearted creditor, the debtor is now given a fair opportunity to make up his losses.

Sometimes creditors live in different States. The Constitution of the United States gives to Congress the power to make bankruptcy laws for the Nation and so to treat creditors in a distant State as fairly as if they lived where the failure took place.

As men abuse other laws, so the dishonorable sometimes use the bankruptcy laws to wrong their creditors and to secure a release for themselves without giving up their property. On the other hand, men of honor sometimes do more than the law requires, and after being released from their creditors, insist, as soon as they are able, upon paying the full amount of their debts. If every one carried on business in this way there would be few failures.



## CHAPTER XI

### EMPLOYERS AND THE EMPLOYED: THEIR INTEREST IN EACH OTHER

ALL men are either employers of labor or employees. Most men are at the same time both employers and laborers.

**The rights of employers; fidelity.** — Fidelity is to do another's work, or the public work, as well as possible, or as well as if it were one's own. The truth is, that the workman sells something, namely, his work, whether of his hands or his brain; and, like everything else sold, he wishes it to be of standard quality. Is the duty of faithful service lessened if the employer pays insufficient wages or salary? No. An honest man can never do less than honest work; nor is the service merely for the employer; the whole community is poorer for every wasted hour or blundering piece of work. Worse yet, the man who performs unfaithful service has become degraded and demoralized. Fidelity includes honesty, sobriety, and punctuality. Courtesy and kindly manners are also due to the employer, as they are due to every one. How can we keep friendly relations with others if we are rude and uncivil?

**The rights of employees; wages or salary.** — Whoever sells his work or skill is entitled to its fair price no less than if it were corn or cloth. Fair pay is not only a righteous amount, but it includes punctuality in payment. Fair pay means reasonable and humane hours of work and vacation or holiday time. We are learning

that the rule of humanity is the rule of effectiveness. Every one can do more and better work if he is treated kindly.

**Respect.** — The employer has not discharged his duty in paying a man; he owes him also courtesy and friendly respect. How can he forget that the other is a man like himself?

**Honest management.** — Employees are not only entitled to fair wages; in a certain sense they are partners with the employers. If the management must keep clear of speculative hazards which risk the capital of the stockholders, so it must not imperil the employment of its workmen. Loyal employees are the greatest asset of an enterprise. The management needs to keep them together, and to find work for them in dull times.

**The labor market.** — In one view, labor, like everything valuable, is subject to the law of supply and demand. The men who have their labor to sell will bring it to the dearest market, that is, wherever labor is most needed. It will there get the best pay. On the other hand, those who wish to hire labor will go to the cheapest market; that is, where labor is plentiful. Thus, if a company wish to build a factory, they will consider where they can get workmen to the best advantage. They could not build their factory in Alaska so well as in Ohio, because the latter State is a better market for labor. Meanwhile, wherever they build their factory, workmen will flock there. It is of advantage to both employers and the employed to buy labor in the cheapest market and to sell it in the dearest. On the whole, work is thus distributed where it is most needed and where the best pay can be given it. If any considerable

number of workmen are getting small wages, an opportunity is afforded to get better wages wherever a larger demand is made for their help. Employment offices are now often provided by the State to help place men where they are most needed.

**A difficulty : the human element.** — Labor is not simply valuable as a commodity. It is human also. When corn is plenty, or inferior in quality, it is no great hardship if it brings a low price, or does not sell at all. But the workman must live; he may have a family dependent upon him; even if he is an inferior workman, he must still be housed and fed as a man. Moreover, the laborer cannot easily be transported, like corn or commodities, wherever the demand and the pay are greater. Many circumstances may render it costly or impossible for him to move to a place where his labor will be in demand.

**Low wages; the limit of decency.** — While at times the number of workmen may be far greater than the demand, there is a limit below which it is not the custom to let wages fall. This limit is fixed by men's consideration of humanity. The more high-minded employers are, and the stronger public opinion is, the higher is this limit of wages to which a man's work entitles him, on the ground that he is a man. The labor unions have helped immensely to establish a public opinion which works toward better standards of living for all workers. Certain excellent laws protect them from overwork, forbid factory work for children, and seek to prevent employers from hiring people below a decent or sufficient wage. This is often called the *minimum* wage, and it means just enough to support the worker in health. Of course, this varies constantly.

**Employees who cannot help themselves.**—In years of good harvests and prosperity there is more money than usual to spend, and there is more employment in all industries for men able and willing to work. But bad years come when there is less to divide and to spend, and therefore less work is called for. The inferior or unskilled workmen are the first to suffer for want of employment. Moreover, the conditions of civilized life require costly tools and machinery: no civilized man can easily work alone, as the savage can; he needs the coöperation of others. A man cannot even till the soil without assistance or capital. The law of supply and demand works after a while to correct disorders of industry, and to set men again to work where they will be needed, but this law has to be supplemented by constant sympathy and humanity to prevent the helpless from suffering. For the whole body of the community is bound up with the welfare and prosperity, or the loss and misery, of any portion. If individuals, then, cannot provide employment for their neighbors who wish to find work, it may be the duty of the State or the city to provide public works, such as the conservation of forests and lands, the building of streets, and other improvements. We may hope that better education will also train a larger proportion of the children to such skill and faithfulness as will give them permanent employment at all times.

**Employers who cannot help themselves.**—We have seen that the number of workmen may sometimes be greater than can be employed; or business may be dull and unremunerative; or certain factories may have greater expenses in rent and interest than others, and

so cannot afford to pay sufficient wages to go on making their goods. Unless the employers are successful and can accumulate some capital, and keep their plant in good repair, they cannot weather the storms which sometimes threaten the financial and industrial world. The poorly managed shops and factories are often obliged to stop. This is not because employers are unwilling to keep their workmen, but because they have no money to pay them.

**Industrial warfare; strikes and lockouts.** — It sometimes happens that employers and employees disagree and quarrel. This may be on account of some foolish misunderstanding, or the bad and arrogant temper of one man. In some cases the men, who perhaps belong to a union, vote to quit work until their demands for better hours or an increase in wages are granted. This is called a *strike*. Like war, it means loss of time and money on both sides, and often great suffering to the workmen's families. It ought to be justified only by urgent necessity. It might, like war, almost always be prevented.

The employers may make war upon their workmen by shutting down their works and stopping wages till the men accede to their wishes. This is called a *lockout*. It results not only in hardships at the time, but, as in war, in the loss of good feeling afterwards.

**Trade unions.** — The world was never so full as it is now of all kinds of societies, associations, and clubs in which men and women coöperate for mutual enjoyment or the protection of their interests. Among the most important and powerful of these societies are the trade or labor unions. Thus, the printers, the teleg-

raphers, and other skilled men form unions among themselves, and later various groups of trades join in a greater Federation of Labor. Meanwhile, groups of employers also form associations for their common interest. At last in many industries the fixing of prices, hours of work, and other conditions comes to be a process of bargaining between the representatives of the unions on the one side and of the employers on the other. The individual workman who might seek in vain by himself to secure fair treatment from a big corporation, now has the support of a great organization with experienced officers at their service and with money in their treasury. The trade unions are also friendly and benefit societies, pledged to help their members in times of sickness and unemployment.

**The open and the closed shop.** — Not all the men in a trade choose to belong to a union. There are various reasons why some prefer to remain outside. The rules for entrance sometimes prove to be a barrier against new men. For the men in a union are reluctant to admit members for whom they cannot see plenty of regular employment. In some cases they hold a certain monopoly of skill, and, like most monopolists, they do not like to be disturbed. There are also men who prefer to be free of the rather military discipline of the unions. Suppose the majority order a strike to which the minority object as unfair. Ought a faithful member of a union ever to act against his union? Some men doubtless think that they ought. But there are always men and women outside of any union. Some of them are poor or shiftless workmen. The non-unionists have to find places in "open shops," that is, where employers run

their business as they choose and prefer to have non-union help. They may pay less or even more than union wages. But they do not bargain with the unions. At the same time they may cheerfully employ members of unions, without asking the question whether a man belongs to the union or not.

On the other hand, the unions desire, whenever they become strong enough, to control the "help" of a mill or a mine, so as to have no workers in it except members of the unions. This makes the "closed shop." A non-union man cannot get work in it, unless he enters one of the unions. Sometimes the unions go so far as to forbid their men handling goods which have been manufactured in an open shop. The unions have sometimes imitated the unfriendly and autocratic methods which employers have too often used in dealing with their workmen or other employers. All such actions on one side or the other are like war. They lead to reprisals, retaliation, and violence, and they leave an ugly temper which spoils honest work and splits people of the same nation into hostile camps.

**Arbitration.** — When men differ, or even when they suffer injustice, there is a more sensible method than to fight. This better method is called *arbitration*. In arbitration both parties agree to submit their case to an impartial committee, or board, and to abide by its decision. In some cases each party chooses one member of the committee, and the two choose a third. Sometimes, as in Massachusetts, the State keeps a standing Board of Arbitration. In New Zealand the law provides the means of arbitration and requires employers and employees to settle their differences peaceably, without

compelling all the people in their town to suffer in their quarrel. As employers and their employees become more intelligent and humane, arbitration in some form may be expected to prevent the waste and ill-feeling always occasioned by strikes and lockouts. Quarreling is stupid business.

**The interests of employers and the employed together.**

— Of course, employers need nothing so much as thorough workmen. Even though they must be paid high wages, good workmen are the most economical, just as goods of standard quality are cheaper in the end than inferior goods. The employer with skilled and willing men may easily afford to pay the best wages and yet produce goods which will sell at a profit.

The success of the employer is generally to the interest of the workmen. His success means permanence in work, whereas the less successful shop will often have to be closed. His success means the ability to pay better wages, and to continue to pay them through dull seasons. The successful employer will have large capital and credit, and will be able to keep men employed even at times when he makes no profits himself. The employers and the employed ought not to pull apart, but to pull together. They are engaged in two sides of the same work.

**Coöperation and profit-sharing.** — Enterprises are often undertaken in which all who have part in the work share in the profits. This used to be done in the fisheries, where perhaps a group of neighbors owned and fitted out the vessel. It has been done in certain manufactories and on plantations. It has been done on a great scale in England (the Rochdale stores) and in



Belgium in the business of distributing goods, and in Denmark and Ireland among the farmers. The best form of all is that which gives the workers a vote in the conduct of the business and a voice also in the election of the managers. Why should not every business be a democracy in itself? Why should it not have directors to represent the workers as well as directors for the capital? If it is a business that serves the public like a railway system, why should it not have directors to represent the interests of the people who use the road? Why should there not be at suitable times free discussion of the subjects which concern those who work, and those who superintend, and the people whom the business serves? Let all sides understand each other and so learn to work together better.

All kinds of business, however, are really more co-operative than men think. For the payment of regular salaries and wages (which are apt to rise in good times, and fall in poor times) is simply a method of sharing the profits of business with those who are concerned in carrying it on. On the whole, a man's share depends upon how useful or necessary he is. Moreover, many great corporations, like the Pennsylvania Railroad, advance their wages according to the length of faithful service, and give pensions to aged workmen. It is often possible for employees to invest their savings in the shares of the company for which they work. Of course, however, those who share the profits of their work must also share the losses.

Men who have been the employees of others sometimes combine and establish a business or an industry of their own. The new enterprise, like any other cor-

poration, is then subject to the usual conditions of success, namely, the energy, prudence, and honesty of its managers.

**Women's work and wages.** — How about women's wages? Ought they to be the same as men's? We have seen that wages follow the law of supply and demand; but when they become very low, humanity interposes, and forbids paying less. As a rule, this limit to which wages fall is lower for women than for men. This is partly because of the survival of barbarous ideas as to the worth of women. It is partly because certain employments are beyond women's strength, while the number of women seeking work constantly increases. Many women who live at home are glad to earn a little money at wages lower than they could afford if they had wholly to support themselves. Employers who find willing hands at a dollar a day cannot easily pay more to other women, no more skillful, who need two dollars a day.

Moreover, the wages of women are allowed to be lower than in the case of men, even for the same work, on the ground that a man must have enough to support a family, while a woman more often has only herself to support. This custom frequently works hardship, but its service is to keep families together. Men's work, as a rule, is also for life; whereas when working women marry their work is apt to change to meet the calls of domestic life.

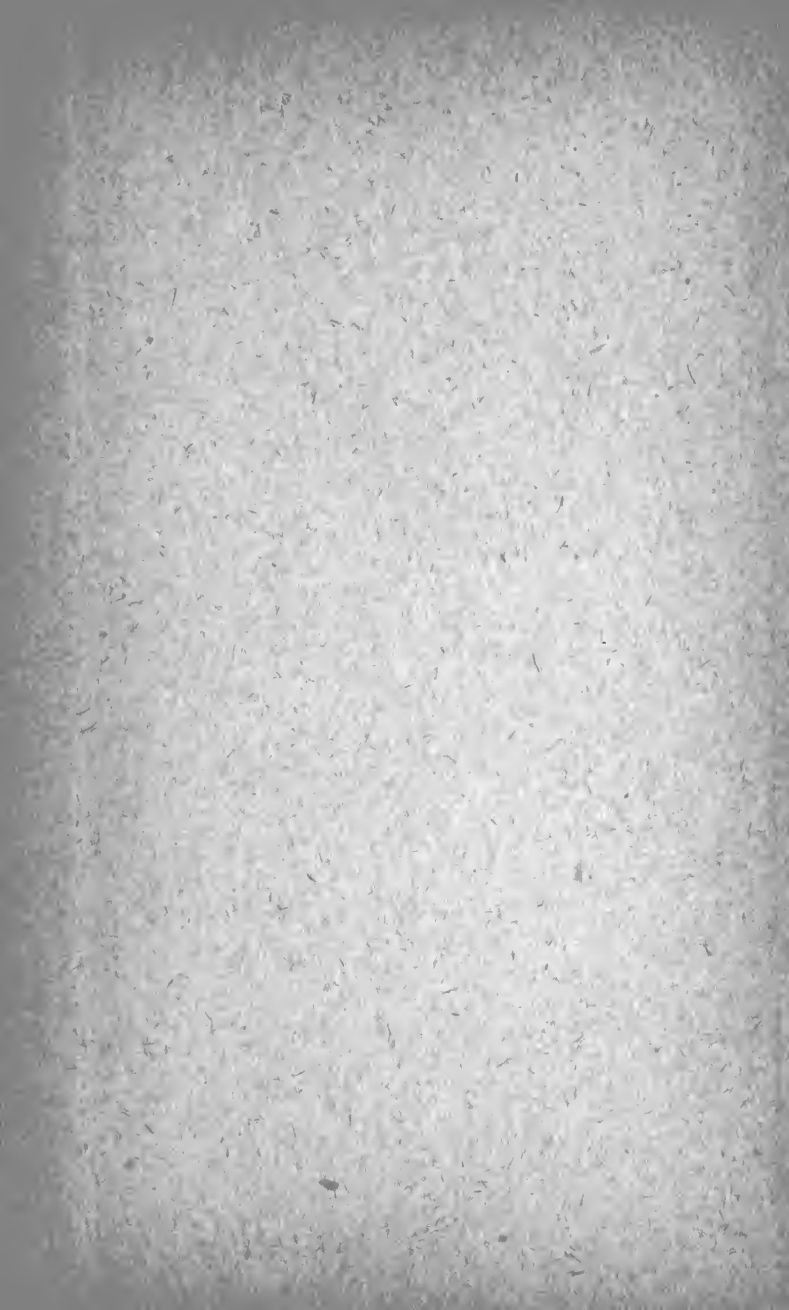
**The industrial democracy.** — We are used to the idea of a political democracy in which every man is a citizen, with the opportunity to fit himself for any service in the State. The industrial democracy, or the Common-

wealth of labor, is now coming into view. Here, too, we cannot have any servile class, but every man and his labor must bear the hall mark of worth. Every one is respected for his character and for the value of his contribution to the common product. The Commonwealth cannot afford to allow its families to live meanly. It proposes to give every child the education and the fair chance to make his way up to a useful and honorable place, to "make good" for all that he has cost, and to leave the world somewhat better off. In this Commonwealth human society is a grand order, like the human body, made up of millions of living cells. The interests of each are the interests of all, and all are partners. Friendliness is the rule and not the exception. Whoever makes human life richer, happier, or nobler belongs to this Commonwealth.









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